

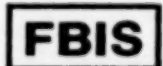
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No. 9, September 1981



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THREE CENTERS OF IMPERIALISM: TRENDS IN THE CHANGING BALANCE

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 3-13

[Article by V. M. Kudrov]

[Text] The balance of power represented by the United States and the other main centers of imperialist rivalry at the beginning of the 1970's was extremely complex and multifaceted. Several of these facets have been examined in our magazine (see, for example, A. M. Sutulin, "Tendencies Toward Change in the Power Balance of the Three Imperialist Centers," No 12, 1978; A. M. Sutulin, "America and the Common Market," No 8, 1973; V. I. Gromeka, "The Distinctive Features of the Formation of U.S. Technological Potential," No 7, 1976; V. I. Gromeka, "The Technology Gap," No 7, 1970). Continuing the examination of this topic, the journal is publishing articles by V. M. Kudrov, in which the power balance of the three centers of imperialism at the beginning of the 1980's is discussed in detail.

Article One: Economic Aspects

Marxist-Leninist economic science discovered two contradictory but interrelated tendencies in inter-imperialist relations--centrifugal and centripetal. V. I. Lenin wrote: "There are two tendencies: One makes the alliance of all imperialists inevitable and the other sets some imperialists in opposition to others--two tendencies, neither of which has a solid foundation."¹ In order to judge which of these tendencies is the prevailing one during a particular historical period, it is important to examine the power balance of the main imperialist nations and groups of nations. The balance of military power will not be discussed in this article although the present international situation is distinguished by increasing tension and emphasis on the factor of military strength in the relations between many countries. This article is concerned with non-military, primarily economic and technological factors of strength, which are becoming increasingly important, with new aspects of the natural law, discovered by V. I. Lenin, governing the economic and political development of the capitalist countries during the era of imperialism.

In the system of contemporary imperialism there are three main centers of economic and technological power and political influence--the United States, Western Europe

(especially the EEC) and Japan. Speakers at the 24th CPSU Congress stressed: "Neither the processes of integration nor the class interest of the imperialists in uniting their efforts in a struggle against world socialism have eliminated the conflicts between the imperialist states. By the beginning of the 1970's there were clearly three main centers of imperialist rivalry: They were the United States, Western Europe...and Japan. They are engaging in an increasingly intense economic and political competitive struggle."² At present, according to international statistics, these centers account for more than 80 percent of the industrial output and 65 percent of the exports in the capitalist world. The balance of their power is constantly changing and the determination of its actual appearance is the most important element of an understanding of the deep-seated processes in the capitalist world. Now, as the accountability report of the CPSU Central Committee to the 26th party congress noted, "inter-imperialist conflicts are becoming more intense and the struggle for markets and for sources of crude resources and energy is becoming more fierce. Japanese and Western European monopolies are competing with American capital with increasing success."³

Some 30 or 35 years ago, the countries of Western Europe and, in particular, Japan were debilitated by the war and had virtually no chance of opposing American imperialism, which dominated the capitalist world, or of developing their own economies independently. They were the "junior partners" of the United States. Now the situation is fundamentally different. Japan has become the second-ranked (after the United States) imperialist power, and the EEC is quite close to them in terms of economic strength and has surpassed them in terms of a number of important economic indicators. This was the main reason for the move from American "monocentrism" to "polycentrism" in the capitalist world.

Throughout economic history, the United States' role in the world has changed constantly. Its importance has risen and declined. At present, this process is an indirect one and therefore requires a concrete investigative approach and the examination of all of the diverse factors involved and the entire complex of centripetal and centrifugal tendencies.⁴

Historical Background

The gap between Western European and U.S. levels of economic development actually took shape more than a hundred years ago and still exists. Renowned English economist A. Maddison believes that the United States was already the major economic power in 1870. At that time it accounted for 20 percent of the gross product of the main capitalist countries, while in recent years it has accounted for approximately 40 percent.⁵ According to his estimates, the average annual increment in labor productivity in Europe between 1870 and 1913 was 1.9 percent, but in the United States it was 2.4 percent. Consequently, the gap between them widened.⁶ In some fields of technical and production development, however, the United States demonstrated its superiority to Europe even earlier. In 1851, for example, Europeans visiting the international exhibition in London were amazed by the agricultural equipment of the McCormick Company, by the Colt revolvers and by American sewing machines and rubber goods.⁷

For many decades the U.S. economy experienced an acute shortage of labor resources while Western Europe experienced a surplus. This is why the level of wages in the

United States was always higher. Furthermore, the United States always had a better supply of raw materials and they were always cheaper than in Europe. For these and other reasons, the rates of technical progress were much higher in the United States and this progress was aimed primarily at the development of labor-saving equipment.

The economic development of the United States was based on the rapidly growing domestic market. It was on this basis that the mass standardization and specialization of production developed while Europe manufactured high-quality items in small series. In combination with the low cost of raw materials, all of this made production costs lower in the United States than in Western Europe and enhanced the competitive potential of U.S. products.

Of course, the higher level of wages in the United States limited the reduction of overhead costs, but it also necessitated the rapid development of consumer goods production, or goods of the second subdivision. This had a significant effect on the general growth of the domestic market and eventually stimulated the growth of the first subdivision, labor activity and technological progress, thereby serving as a factor in America's superiority to Europe in terms of its level of economic development and the competitive potential of U.S. production as a whole.

In the 1940's and 1950's the gap between the United States and its rivals in this area became even wider. At that time the United States was virtually the only center of power in the capitalist world and its production and economic potential was growing dramatically. World War II caused Western Europe to regress. Making use of its superiority and simultaneously striving to restore the Western European and Japanese economies more quickly and reinforce capitalism's overall position at a time of growing socialist influence, the United States began by supplying these countries with equipment and technology on a fairly broad scale, as well as with the technical expertise created or acquired during the war or even before the war. Although the mass-scale adoption of American equipment and technology helped the Western European countries to progress, it nonetheless reinforced the technology gap at first because it did not encourage them to develop their own scientific research and incorporate their own equipment and technology. It was not until the late 1950's and early 1960's that the Western European countries began to establish their own broad-scale research and development base. This was a start in catching up to the United States in many fields, both economic and technological.

Japan soon joined Western Europe in the increasingly intense competition with the United States. It now surpasses the United States in terms of the per capita output of many major products (steel, cast iron, ships, synthetic fibers, television sets, polyethylene and others). In 1980 the Japanese output of passenger and freight vehicles exceeded the U.S. output for the first time.

The main factor contributing to these results was the higher level of manpower exploitation in Japan than in America or Western Europe. Swedish economist H. Hedberg writes that the Japanese worked more diligently during the postwar period than the people of other developed capitalist countries. Japan has always had the highest accumulation norm, the heaviest investment load and the longest work week.⁸ Japan also set an example of the efficient assimilation of foreign, especially American, equipment and technology purchased in large quantities. This allowed the country to save its own funds on research and development projects, to reduce the

amount of time required for the mastery of new equipment and to reorganize the old technical system in production and create a new one more quickly. According to the data of a study conducted in 1977 by the Japan Science and Technology Agency, more than 42 percent of the equipment and technology used by industrial firms can trace its lineage back to imports.⁹

The extensive adoption of American equipment and technology and U.S. experience in a number of fields by Western Europe and Japan had a "boomerang effect": By promoting economic and technical development in these countries and heightening the competitive potential of their goods, it turned them into formidable rivals of American imperialism.

Some Aspects of Theory

V. I. Lenin said that uneven economic and political development is one of the absolutes of capitalism. It stems not only from the objective conditions of international division of labor and differences in the historical, economic, social and natural conditions of profit-making, but also from the anarchic nature of this social system. "Capitalist production would be absolutely impossible if its development in all spheres had to be simultaneous and uniform," K. Marx wrote.¹⁰ V. I. Lenin stressed that the "uniform development of separate enterprises, trusts, branches of industry and countries cannot exist in the capitalist system."¹¹ This uneven economic and political development changes the power balance of the capitalist countries and intensifies conflicts between them.

The effects of the law of uneven development are now becoming more complex and acquiring new, sometimes extremely contradictory forms under the influence of the technological revolution, qualitative changes in the mechanism of capitalist reproduction and international trade, the economic competition of the two systems and the increasing regulating intervention of the government in economic life. The processes of integration and the development of transnational corporations are also among the major factors contributing to the uneven development of the main capitalist countries and the equalization of developmental levels. Under the influence of this complex group of factors, the correlations between these countries' levels of technological development and production efficiency cease, in spite of their considerable interaction, to correspond to the correlations of economic developmental levels.

The following facts of a theoretical nature must also be borne in mind. Firstly, the uneven economic and political development of the imperialist countries, regardless of the diverse and contradictory forms it may take, changes the balance of power (economic, political, technological, military, etc.) and objectively leads to the redistribution of spheres of influence in the capitalist world. Lenin's statement about the division of markets in the imperialist system "according to capital and according to strength" is just as pertinent today as in the past. Secondly, a distinction must be drawn between uneven development and the equalization of developmental levels. Equalization is a result of uneven development. In our day it is being accelerated by international integration and state-monopoly regulation, particularly its elements on the international level. Thirdly, by complicating the process of uneven economic development with a number of new and important features, the technological revolution also made significant changes in its criteria.

The uneven nature of the process of economic development can be traced with the aid of various indicators and characteristics. In principle, a system of cost and natural indicators is needed for the complete examination of this phenomenon. Natural indicators are important on the "microlevel," when separate branches, production units and items are being compared. Overall cost indicators are most applicable on the "macrolevel," when entire economies or their major elements are compared.

Just recently, the balance of power between countries or groups of countries could be quite precisely determined from a limited set of economic indicators--the GNP, the total industrial output, exports, the output of steel, cast iron, metal-cutting tools, cement and grain, and others. At a time of technological revolution, these traditional and limited criteria are already obviously inadequate. It has given rise to three different but interconnected aspects or criteria, according to which the balance of power during a particular stage or at a particular time can differ considerably. These are the level of economic development, the level of production efficiency and the level of technological development. Indicators of a broad spectrum of foreign economic positions are closely related to these criteria. The group of these indicators reflects the fundamental quantitative and qualitative aspects of contemporary production.

In fact, however, international statistics do not allow for comparisons based on such a broad variety of indicators. Only individual elements can be compared. In particular, comparisons can be drawn between expenditures of production resources; the final output, reflecting the economic strength of the countries; individual aspects of the level of economic development (indicators of per capita economic strength); production efficiency; foreign economic activity and the level of technological development.

These indicators can logically be grouped in pyramid form: Comparisons of resource expenditures form the basis of the pyramid, comparisons of results of these expenditures (production volumes) form the second row, indicators of production efficiency and foreign economic activity form the third row, and comparisons of technological developmental levels form the fourth. This system is based on progression from the simple to the complex, from the initial stages of reproduction to its results and further--to the highest spiritual forms of human activity.

Economic Indicators

The author's investigation of some indicators, such as expenditures of productive resources (fixed capital and capital investments), as well as the capital-labor and investment-labor ratios and the final social product, indicated that the Western European countries and, in particular, Japan were advancing on U.S. positions.¹²

Calculations indicate that the positions of the United States and other main capitalist countries during the postwar period in terms of total quantities of fixed capital and capital investments were considerably equalized. Per capita indicators were particularly similar (see tables 1 and 2 in the statistical supplement on pages 113-114) [tables not reproduced]. For example, the per capita use of fixed capital in relation to the U.S. level rose from 51 to 73 percent between 1950 and 1978 in England, from 50 to 99 percent in the FRG, from 56 to 84 percent in France

and from 20 (in 1955) to 74 percent in Japan. Per capita capital investments in relation to the U.S. level rose from 38 to 63 percent during the same period in England, from 47 to 103 percent in the FRG, from 37 to 115 percent in France and from 13 (in 1951) to 124 percent in Japan. The fact that the Western European and Japanese indicators of fixed productive assets and capital investments are approaching U.S. indicators is the result of the more intensive accumulation of capital by the United States' rivals (see Table 3) [not reproduced]. It should be stressed that in terms of per capita capital investments, Japan, the FRG and France are already far ahead of the United States.

Comparisons of the capital-labor and investment-labor ratios, which are made with the aid of data about quantities of fixed assets and capital investments¹³ and the number of persons employed (Table 4) [not reproduced], also indicate a tendency toward the equalization of economic developmental levels, judging by the criterion of production resource expenditures (see Table 5) [not reproduced]. Estimates indicate that the capital-labor ratio (fixed productive assets per worker) in relation to the U.S. ratio rose from 44 to 68 percent in England between 1950 and 1978, from 43 to 98 percent in the FRG, from 47 to 89 percent in France and from 17 (in 1955) to 61 percent in Japan. There were even more dynamic changes in the investment-labor ratio (capital investments per worker): The ratio in relation to the United States rose from 33 to 75 percent in England, from 41 to 131 percent in the FRG, from 28 to 127 percent in France and from 13 (in 1951) to 108 percent in Japan. In other words, the FRG, France and Japan have already surpassed the United States in terms of the investment-labor ratio.

As a rule, the final social product balance also changed in favor of the United States' rivals (see Table 6) [not reproduced]. For example, the per capita balance of this indicator in relation to the U.S. level rose during that same period from 42 to 73 percent in the FRG, from 51 to 79 percent in France and from 22 to 69 percent in Japan. In England it dropped from 62 to 53 percent in connection with the slower, in comparison to the United States, growth rate of the final social product (see Table 7) [not reproduced].

Calculations also indicate, however, that the rate of the convergence of several Western European countries and Japan with the United States in terms of the per capita final social product is not as significant as the previously cited indicators of resource expenditures on the manufacture of this product or the capital-labor and investment-labor ratios. What is more, England is now even further behind the United States. This testifies that these countries are concentrating primarily on productive resource expenditures in their competitive struggle with America. In other words, they are using extensive factors of economic growth more widely and have been less successful in terms of the final production output.

Now that we have compared the most important quantitative economic indicators, we will compare the general and particular indicators of production efficiency. Here we are most interested in comparisons of labor productivity levels and output-capital ratios, reflecting the major qualitative parameters of production. Calculations indicate (see Table 8) [not reproduced] that the gap between the United States and its main rivals is closing in some cases and growing wider in others in terms of such particular indicators of national production efficiency as labor productivity and output-capital ratios. Even in those cases when the gap is closing, it is a

slower process than the equalization of capital-labor and investment-labor ratios. For example, England has fallen even further behind the United States in terms of labor productivity (from 44 to 43 percent of the U.S. level), but, on the contrary, the correlation for the FRG, France and Japan has risen respectively from 34 to 63 percent, from 42 to 83 percent and from 17 to 53 percent. As for the output-capital ratio, England has constantly fallen below the U.S. level while the indicators for the FRG, France and Japan rose in the 1950's and then declined in the 1960's and 1970's.

In recent years the labor productivity growth rate in the United States has lagged more noticeably behind the rates in other developed capitalist countries (see Table 9) [not reproduced] and, as a result, the balance in terms of this indicator has changed quickly in favor of the United States' rivals. The American press is now filled with warnings about this process. Numerous comparisons have even been made to prove that the United States has "already" or "almost" lost its superior status in terms of the absolute level of labor productivity in the national economy. As a rule, however, these comparisons are based on official rates of exchange and are therefore not entirely valid.¹⁴ The United States is still ahead of the other countries in terms of the absolute level of national economic labor productivity. Nevertheless, it declined 0.4 percent in the United States in 1979 and more than 1 percent in 1980, for example, while it rose in most of the rival countries.¹⁵

There has been a recent change in the balance of labor productivity growth rates and in the correlation of factors determining the level and dynamics of productivity. In particular, international differences in labor productivity are now less dependent on the overall capital-labor ratio, as they were before, than on the technical level of equipment and the quality and structure of fixed capital in each working position. Capital-labor ratios equivalent in cost terms generally accompany considerably differing technical levels, conditions and principles, and levels of fixed capital use. The organizational factors determining the particular operational regime of machines and equipment are acquiring increasing significance. For this reason, there is no limit on the qualitative improvement of each working position, whereas there is a definite technical and economic limit on the quantitative growth of the capital-labor ratio and the organic structure of capital. Consequently, the same capital-labor ratio in different countries can be accompanied by extremely significant differences in labor productivity and production efficiency as a whole, and, conversely, identical levels of labor productivity can coexist with significantly different capital-labor ratios. For this reason, it is not surprising that comparisons of capital-labor and investment-labor ratios are more favorable for Western Europe and Japan than comparisons (with the United States) of labor productivity, while comparisons of productivity are more favorable for them than comparisons of production efficiency in general.

If we move from individual, particular indicators of efficiency to the efficiency of social production in general, with a view to labor productivity and output-capital ratios, we derive figures that differ considerably from the ones cited above¹⁶ (see Table 10) [not reproduced]. The English correlation to the United States declined from 49 to 43 percent between 1950 and 1978 while the correlations for the FRG, France and Japan rose in general, but at varying rates.

We could conclude that the equalization of the levels of economic development and production efficiency in the main capitalist countries making up the three centers

of contemporary imperialism is most clearly reflected in per capita expenditures of productive resources, less clearly in production volumes and even less clearly in particular and general indicators of production efficiency.

The Repartition of Markets

The deterioration of U.S. international influence is reflected in foreign economic and domestic economic indicators.

For several years after World War II the United States was the undisputed leader of the world capitalist market. Given the extremely low percentage of imports in total sales in the domestic market and the high competitive potential of exports, it favored more liberal foreign trade. Gradually, however, its rivals gained stronger positions and began to crowd American producers out of foreign markets and the domestic U.S. market. The 1960's and 1970's were marked by the serious deterioration of U.S. foreign trade positions, increasing protectionist tendencies within the country and stronger state-monopoly regulation in the limitation of imports and stimulation of exports.

At the end of the 1970's the United States was still the leader of the capitalist world in terms of exports, but the FRG had already caught up with it and Japan was getting quite close (see Table 11) [not reproduced]. The United States already has a permanent huge deficit in its balance of trade (37.1 billion dollars in 1979 and 34.3 billion in 1980). Furthermore, the deficit is particularly sizeable in trade with Japan (8.6 billion dollars in 1979).¹⁷

In the past the United States' success as an exporter of industrial commodities was largely based on the existence of rich domestic sources of raw materials. Now this advantage has virtually disappeared as a result of the gradual depletion of many sources and the growth of costly raw material imports. The cost of raw material expenditures per unit of manpower costs has risen significantly in recent years. America has lost the advantages of a great raw material power. All of this and many other factors have caused the United States to lose its previous advantage in foreign trade. At the same time, proportional expenditures on manpower have risen in Western Europe and Japan. This factor and some others are heightening the competitive potential of American goods.

In recent years there has been more intense competition in the markets of the developed capitalist countries for such products as raw materials (particularly sources of energy), machine tools, television sets, home electrical equipment, textiles and some agricultural products. Western European firms have challenged American monopolies in nuclear power engineering, an industry requiring tremendous scientific input; Japanese firms have challenged U.S. companies in the computer field, etc. Sales markets are gradually being repartitioned, and the U.S. share of world capitalist exports, which has remained at around 11 percent in the last 2 years (see Table 12) [not reproduced], is not likely to increase in the near future.

This tendency is also characteristic of the overseas operations of American corporations. For example, the combined share of General Motors, Ford and Chrysler in world capitalist motor vehicle exports dropped from 22.6 percent in 1962 to

13.9 percent in 1979. The American share of aircraft sales dropped from 70.9 to 58 percent during the same years and the U.S. share of railway locomotive sales dropped from 34.8 to 11.6 percent.¹⁸

As a result of the more intense competition of recent years, protectionism is being used more widely in world capitalist trade as an instrument of inter-imperialist rivalry. In 1979, for example, goods subject to customs duties represented almost 50 percent of all world capitalist imports whereas the figure was only 40 percent in 1974.¹⁹ In response to Western European and Japanese protectionist restrictions, the United States is using its own means of protecting itself against foreign competition and is amending trade legislation to limit the access of foreign goods to the American market. The competitive struggle has become quite fierce, trade wars and currency squabbles break out now and again, and skirmishes over crude energy resources have become commonplace.

There has been a particularly dramatic decrease in the U.S. share of gold currency reserves in the capitalist world--from 50.1 percent in 1952 to 5.9 percent in 1980 (see Table 13) [not reproduced]. Of course, the main reasons for this consist not only in the reduction of American gold currency reserves (in connection with the dollar's weaker position and a number of other factors) and the considerable growth of Western European and Japanese reserves (see Table 14) [not reproduced], but also in the accumulation of colossal reserves by the oil-exporting countries as a result of the dramatic rise in world oil prices. During the postwar period as a whole, Western Europe and Japan have considerably reinforced their positions in the currency sphere. For example, Japan's share of gold currency reserves in the capitalist world rose from 2.2 percent in 1952 to 9.2 percent in 1978, although it is true that it later dropped to 5.7 percent in 1980.

One of the factors influencing the uneven nature of economic development is the export of Western European and Japanese capital to the United States. Western European capital exports (for direct investments) to the U.S. economy are already virtually equivalent to exports of American capital to Western Europe. Between 1970 and 1979 foreign direct capital investments in the United States increased from 13.3 billion dollars to 52.3 billion, or almost quadrupled. Western Europe accounts for most of these investments (Canada's share is 13 percent, Japan's is over 6 percent and the rest of the investments come from countries in Latin America and the Middle East).²⁰ Foreign investments in the American economy grew quite substantially in the last 3 years, promoted by the drop in the exchange rate of the dollar, the relative rise in production costs in Western Europe and Japan, the rise in interest rates and the decline in the security exchange rates in the U.S. stock market, the traditional open door policy (the United States has restricted only foreign capital's access to nuclear power engineering, radioelectronics, domestic aviation and river and coastal shipping) and the threat of a new wave of intense protectionism.

Western European capital's active penetration of the U.S. economy is a new and important feature of the present balance of power in the capitalist world. It reflects the internationalization of capital, the increasing amount of available financial resources at the disposal of Western European monopolies, and other factors. The U.S. share of direct overseas investments in the capitalist world is decreasing. Whereas it was 55.1 percent in 1960, the figure was 47.7 percent in

1976. Western Europe has held on to its share--37.1 percent and 37.3 percent respectively, and Japan has dramatically increased its own share--from 0.5 to 6.8 percent (see Table 15) [not reproduced].

The gap between the United States and its rivals is closing in terms of the number and relative power of monopolistic corporations. According to the Conference Board, a research organization, whereas 58 of the 100 major industrial corporations in the capitalist world were American in 1971, only 49 were American in 1979. American companies no longer constitute the majority on the list of the world's 500 largest corporations. In 1971 there were 280 U.S. companies on this list, but there were only 219 in 1979. What is more, the list of the "500" in 1979 already included 71 Japanese, 51 English, 37 West German, 27 French and 19 Canadian firms.

In 1963 the sales volume of the 10 major U.S. industrial corporations was 2.5 times as great as the sales volume of the 10 largest corporations in other countries, but it was only 1.5 times as great in 1979.

The relative financial strength of non-American banks and banking consortiums is also increasing. For example, only 15 of the 100 largest banks in the capitalist world were American in 1978, and they accounted for 15 percent of the assets of these 100 banks. In 1956, however, there were 44 American banks on the list of the 100 largest, and they accounted for 53 percent of total assets.²¹

The EEC countries have created a "European currency system" (ECS) as a counter-balance to the dollar in the world capitalist currency system. This measure could seriously affect the dollar's status in international transactions. It is primarily intended to reinforce the role of the West German mark and signals the strengthening of some currencies which could, along with the dollar, perform the functions of an international reserve, accounting and payment medium. The ECS is also regarded as a means of protecting the Western European currencies against pressure from the dollar.

The tendency to form a polycentric currency system was engendered by the virtual impossibility of the collective management of the currency sphere in the presence of several centers of imperialism. It reflects the changing balance of power between these centers. At the same time, the creation of the ECS reflects centripetal tendencies in capitalist international currency relations, as regulation in this sphere will require the coordination of the currency policies of the members of the Western European Common Market.

Therefore, the economic, commercial and currency hegemony of American imperialism is coming to an end. Polycentrism is an established fact in the world imperialist system. The United States has lost some of its important advantages forever. In the first place, in the past it did not have to give much consideration to countries on the other side of the ocean or concern itself with economic relations with them. Under present conditions, however, the development of the world capitalist economy, increased interdependence and the economic integration of the capitalist economy in general and the economies of the main capitalist countries in particular have made this impossible. The American economy is the most important, but not the only, major element of the world capitalist economy, closely connected with other national and regional economies.

In the second place, whereas America had virtually no need for foreign sources of raw materials in the past, today it differs much less from Western Europe and Japan in this respect and is growing increasingly dependent on imports of raw materials from the developing countries. This is the reason for the U.S. interest in the collective resolution of the raw material problem, particularly with regard to sources of energy.

In the third place, after taking the forefront after World War II in terms of economic strength, level of economic development, production efficiency and several foreign economic indicators, the United States has been gradually losing this position since the mid-1960's and particularly throughout the 1970's. Making use of American equipment, scientific and technical expertise and production and administrative experience, Western Europe and Japan began to catch up with the United States in the economic sphere and compete with it more successfully and now, to a considerable extent, have evolved from "junior partners" to virtually equal economic rivals.

In the economic sense, despite the fact that they are lagging behind the United States in terms of production efficiency, Western Europe and Japan are now much more independent and much stronger than before. They also have their own interests, which often differ from American interests, and their growing economic strength allows them to protect these interests effectively. Western Europe and Japan are more dependent than the United States on world trade. All of this is strengthening centrifugal tendencies in the system of contemporary imperialism.

Nevertheless, the centripetal tendency has recently become stronger. This is connected, in particular, with the equalization of economic developmental levels and the increasing common economic interests of capitalist countries (reciprocal trade, scientific and technical exchange, the need to solve acute global problems--energy, ecological and food problems--and others). This tendency gives rise to coordinated action and more vigorous interaction by the three centers of imperialism, based on their desire to strengthen their position to counterbalance the successes of world socialism and the developing countries' struggle for economic equality, self-sufficiency and stronger political independence. The United States, which is doing everything possible to strengthen the capitalist system, wants to preserve its leading position in this system.

The equalization of economic developmental levels in the three centers of imperialism and the decreasing U.S. share of world capitalist economic transactions cannot be absolutized. Otherwise, it would be impossible to understand how American imperialism can give up its positions in many spheres but keep its leading role and force its partner-rivals to consent to obvious economic losses for the sake of certain political or military goals. The combination of pluralism in the activities of the three centers of imperialism in specific areas of economic development and technological progress with their concerted efforts to solve general strategic problems is one of the realities of our time.

FOOTNOTES

1. V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Collected Works], vol 36, p 332.

2. "Materialy XXIV s"yezda KPSS" [Materials of the 24th CPSU Congress], Moscow, 1973, p 15.
3. "Materialy XXVI s"yezda KPSS," Moscow, 1981, p 20.
4. See A. I. Shapiro, "Centripetal and Centrifugal Tendencies in Inter-Imperialist Relations," SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, No 2, 1977; E. Gessen, J. Judanow and N. Lehman (GDR), "Western Europe in the World Capitalist Economy," MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 11, 1979.
5. A. Maddison, "Phases of Capitalist Development," Tokyo, 29 August-3 September 1978, Fifth World Congress of the International Economic Association, p 3.
6. A. Maddison, "Economic Growth in the West," Moscow, 1967, p 52.
7. "The Technology Gap: United States and Europe," N.Y., 1970, p 18.
8. H. Hedberg, "Japan's Revenge," Pitman Publishing, London, 1972, p 94.
9. MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 2, 1980, p 73.
10. K. Marx and F. Engels, "Works," vol 26, pt II, p 591.
11. V. I. Lenin, Op. cit., vol 27, p 417.
12. The calculations of major economic indicators in this article are not based on official currency exchange rates, but on the real purchasing power of currencies. The calculation methods and basic initial data are described in the book "Urovni i tendentsii razvitiya glavnykh kapitalisticheskikh stran (ekonomicheskkiye sopostavleniya)" [Developmental Levels and Tendencies in the Main Capitalist Countries (Economic Comparisons)], edited by Ye. A. Gromov, V. M. Kudrov and Yu. N. Pokatayev, Moscow, 1977.
13. The capital-labor ratio signifies the cost of a single work position, or, in other words, the quantity of fixed productive capital per person employed in the national economy. The investment-labor ratio signifies the quantity of capital invested throughout the national economy per work position or employed individual. Whereas the first indicator denotes accumulated capital reserves, the second actually denotes the annual increment in capital (both calculated per worker).
14. For example, the 30 June 1980 issue of TIME magazine states (p 12) that the United States now ranks fifth in terms of national economic labor productivity, after Sweden, Switzerland, the FRG and the Netherlands. This conclusion does not seem completely sound. Specialized literature contains detailed analyses of the unavoidable errors resulting from the use of official currency exchange rates in international economic comparisons (see, for example, M. Gilbert and I. Kravis, "The System of International Comparisons of Gross Product and Purchasing Power," Moscow, 1962).
15. BIKI, 30 April 1981, p 2.

16. When we examine this indicator as a measurement of the efficiency of all social production, we must realize that it measures the efficient use of only live labor and accumulated fixed productive capital. The efficiency of raw material use (material-output ratio) is not measured.
17. "Economic Report of the President, January 1981," pp 351, 347.
18. THE PROGRESSIVE, November 1980, p 44.
19. TIME, 21 April 1980, p 42.
20. THE MCKINSEY QUARTERLY, Winter 1981, p 60; "Economic Report of the President, January 1981," p 349.
21. BIKI, 18 April 1981.

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REPUBLICANS IN OFFICE: OUTLINES OF SOCIAL POLICY

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 14-24

[Article by I. A. Geyevskiy]

[Text] The conservative victory in the last election reflected important changes in the balance of power and political outlook of the U.S. ruling class and an obvious move to the right. The election resulted in the creation of a new political situation within the country, as American imperialism's response to the continuous exacerbation of the general crisis of capitalism, to the success of the national liberation struggle and the resulting reduction of spheres of imperialist domination and to the dramatic aggravation of economic problems. "The difficulties capitalism is experiencing," noted the accountability report at the 26th CPSU Congress, "are affecting its policy, including its foreign policy."¹

They are also affecting domestic policy--economic and social. This is particularly noticeable in the United States, where the crisis of the state-monopoly system and its regulating machinery has been most pervasive. "It is absolutely clear," the report states, "that state regulation is of little help in the capitalist economy. By taking measures against inflation, the bourgeois governments are promoting economic depression and increased unemployment; when they attempt to restrict critical production decline, they escalate inflation even more."²

Under these conditions, ruling circles have become increasingly dissatisfied with the methods of state regulation practiced in recent decades. The present administration is one that has announced the need for a "new approach" to economic and social problems. Blaming the "liberal" policy of the Democratic Party for all of the country's ills, the Republicans have raised the conservative banner. The basic outlines of the Republican social policy, differing in a number of significant respects from Democratic social policy, can be judged even from the Reagan Administration's first steps. We must remember, however, that the present policy did not emerge from a vacuum: It has integrated and developed some of the tendencies that were apparent in the policy of previous administrations.

Within the dominant class, there is never complete agreement on the means, methods and ways of solving economic and social problems. Traditionally, the main political groups have been divided into liberals and conservatives. They have no fundamental differences of opinion in regard to the strategic goals and objectives of social policy. Social strategy reflects the long-range general class interests of the

bourgeoisie and is aimed at protecting its general, fundamental interests--the preservation of the capitalist order, the reinforcement of bourgeois political authority, the preservation of conditions guaranteeing the acquisition and appropriation of maximum surplus value and, finally, the creation of internal conditions for the implementation of imperialist foreign policy. Differences of opinion concern only the tactics of social policy, or the means and methods of attaining strategic and more specific goals. The actual content of these differences of opinion varies depending on domestic and international conditions.

Some authors believe that the bourgeois state's social policy pertains only to its activity in the sphere of social insurance and social security, the performance of various social services and the regulation of labor relations. This is approximately the context in which social policy is generally examined in works by American bourgeois authors. When this approach is taken, one method of social policy, namely the method of concessions and reforms, is isolated from another method, the method of suppression, although both actually serve the same bourgeois class interests. "These two methods," as V. I. Lenin remarked, "are used alternately or together in various combinations."³ Under the present conditions of the intensification of the general crisis of capitalism, the simultaneous use of both methods in various combinations is characteristic of the bourgeois government's social policy in the United States.

The state's liberal reforming activity takes more forms than just socioeconomic concessions: The working class and the laboring masses force the state to make concessions in the sociopolitical sphere as well (laws on the civil rights of blacks, the expansion of women's rights, etc.). The social policy of the state also cannot be isolated from the ideological activity of the state, particularly activity specifically intended to color the opinions of the broad popular masses. The state's social programs form a single unit, as it were, with their advertising and propaganda "packaging."

Therefore, the social policy of the bourgeois state is of an integrated nature. It includes the use of the methods of concessions and coercion and concerns not only the economic life of the working public, but also extends to all spheres of daily societal life--economics, politics, ideology and the mass mentality. This is a single policy, although it is implemented by various means, because it is ultimately subordinate to a single set of goals.

Until the 1930's the American bourgeoisie believed that the role of the state consisted primarily in the functions of a "night watchman" or guardian of the law. This view no longer exists. Big capital in the United States realizes that capitalism cannot exist in our day without state-monopoly regulation and concessions to the masses. Differences of opinion concern the price that should be paid for "social peace" and the size of the pieces of the national income pie that various classes and strata should receive. The differences in the liberal and conservative approaches to socioeconomic problems consist primarily in this. The liberals are prepared to spend more and make greater economic (and political) concessions than the conservatives to alleviate social tension. They advocate the more extensive use of the government as an instrument of social manipulation, while the conservatives are more in favor than the liberals of the extensive use of the government's repressive machinery.

The relatively high economic growth rates of the 1960's served as the material basis for a liberal policy. On the political level, the expansion of state benefits and services was made necessary by the powerful upsurge in the mass struggle. Although both the economic and the political situations have changed since the late 1960's (growth rates have slowed down and the abatement of the mass movements has reduced the pressure exerted on ruling circles from the left), the concessions won by the masses in the 1960's and recorded in legislative form have necessitated the constant growth of expenditures on the needs of the population. The relative reduction of military expenditures in the budget also alarmed the dominant class. A conservative offensive was launched in the country in opposition to this state social activity. The outlines of this conservative policy were already taking shape when President Ford was in office. It would be necessary, the President said in January 1976, "to find a new balance between expenditures on domestic economic programs and expenditures on defense."⁴ This meant that a higher percentage of budget funds should be used for military purposes. A year later, in January 1977, the President announced quite plainly that it was not the government's job to "enhance the quality of American life" and "supply our people with free goods."⁵

The balance of political power in the Congress and in the nation did not allow Gerald Ford to do much in carrying out this program. The baton was passed to the Carter Administration. In accordance with the wishes of most of the dominant class, which had moved perceptibly to the right, the foreign policy line of James Carter and the Congress took on an increasingly conservative nature. Although monopolistic circles approved of the Democratic administration's actions, they believed that the mass base of the Democratic Party would keep it from accomplishing a radical turn-about in social policy. It is therefore not surprising that big business made unprecedented efforts at the end of the 1970's to put the Republican Party in power and strengthen the position of conservatives in the Congress. Taking advantage of the election results, monopolistic capital began to launch a broad attack on the vested interests and rights of the working population. "For some time now," Gus Hall wrote, "some monopolistic groups have insisted on a policy of refusing the working population any kind of concessions while simultaneously granting monopolies all possible concessions. But this was only a budding practice in the past. Now the monopolies are conducting a policy of unbridled grand larceny."⁶

In the socioeconomic sphere the conservative offensive is aimed at the attainment of three basic interrelated objectives: a change in the system of "budget priorities" to increase proportional military appropriations by reducing social expenditures; the transfer of the burden of economic "revitalization" programs to the working masses; the substantial redistribution of national income in favor of the privileged classes.

These are the objectives of the Republicans in their general form. Judging by the policy-planning documents that have already been published, the Reagan Administration intends to attain them by considerably reducing the scales of government participation in the regulation of socioeconomic and economic problems and expenditures for these purposes, reducing the number of regulatory agencies and limiting their authority, making changes within the very structure of government agencies on various levels, reducing the role of federal agencies and making corresponding additions to the functions of state and local government bodies, considerably heightening the role of market factors in the regulation of social and economic problems and

granting corporations the right to arbitrarily make decisions on many matters pertaining directly to the public interest by minimizing government standards and controls.

'Economic Revitalization'--At Whose Expense?

The American economy is now experiencing many serious problems, the negative consequences of which are affecting the nation as a whole and each American individually. Under these conditions, the population agrees in principle with the new administration's statements about the need for "economic revitalization." "The question is not," Boston College economist B. Bluestone says, "whether we should revitalize American industry, but how this should be done and at whose expense."⁷

The present administration maintains that its long-range program will curb inflation, reduce unemployment, bring the economy out of its state of depression and heighten its competitive ability in world markets. We will not analyze the purely economic aspects of this program, but we will discuss some of its social aspects.

The present administration has named "unnecessary regulation" as one of the main reasons for the nation's economic difficulties. Although the President has tried to distract public attention by speaking of regulatory measures "affecting the shopkeeper, farmer, craftsman and people of various professions, as well as big industrial corporations," this actually refers to the kind of regulation that affects the interests of big business. One of the spheres where capital finds government regulation particularly intolerable is the state of working conditions in the production area. President Reagan has called regulation in the labor sphere "unprofitable" (!)--as if a dollar value could be placed on human life and health. The Republicans' basic intention in this sphere is to cancel the compulsory nature of the decisions of the Occupational Safety and Health Administration, an agency created under pressure from the working public in 1970, and direct the agency to "encourage voluntary agreements with employers."⁸ In other words, the Republicans want to nullify the working class' victories in the struggle against authoritarian practices by employers and grant employers absolute freedom of exploitation.

The Republicans are now adhering to the same line in regard to consumer goods quality control. They are opposed to real government control over monopolies, extolling the "market as the best regulator of the free enterprise system."⁹ The same approach is characteristic of Republican views on environmental protection; they want to spare capital the need to spend funds on socially necessary goals. It is the duty of the federal government, the Republicans say, to set only "minimum standards to improve the quality of life."¹⁰ It should not have to force monopolies to adhere to these standards; the main thing is to "be fair to the businessman."¹¹ The cancellation of these regulations will allow business to "save" tens of billions of dollars each year at the expense of the life and health of working people.

This is far from the only area in which the conservatives are striving to be "fair" to the employer. According to the administration's plans, the working population should pay for the expansion of capital investments in the economy through a reduction in real wages and through taxes. In the words of Professor A. Etzioni, renowned sociologist, "reindustrialization" will result in "10 years of belt-tightening."¹² During the first stage, BUSINESS WEEK reports, the labor unions

will have to "temper" their wage demands, and then the emphasis will be on investments in production, and not on the improvement of the quality of life or on consumption as such.¹³ According to famous economist L. Thurow, "this emphasis on investments comprises a secret plan of the conservatives: The campaign for larger investments will be used for changes in the tax structure that will lead to even greater income inequality after taxes."¹⁴

It is true that the economic program announced by the Reagan Administration proposes the reduction of the depreciation term of fixed capital. This will give corporations an additional 164 billion dollars, not to mention other benefits and direct subsidies for big capital.

The administration's proposed income tax cut of 30 percent over the next 3 years (Congress approved a tax cut of 25 percent) also serves primarily the interests of privileged strata. In the words of the President, "in contrast to some earlier 'tax reforms,' this will not be a simple redistribution of income among various categories of taxpayers." The President repeated the old conservative laments about the "unfair" tax structure, which supposedly "redistributes" national income to the detriment of the rich: "They say that taxation is the art of plucking a live bird without hurting it. It is time we saw that this bird does not have a single feather left," Reagan said.

As for the average American, who watches various kinds of taxes devour almost 5 months' worth of his annual salary, he really "does not have a single feather left." It is the very rich who least resemble a plucked bird. As a result of the use of various privileges, loopholes and all types of tax maneuvers, the percentage of corporate profits used for the payment of taxes decreased from 47.6 percent in 1969 to 39 percent in 1979.¹⁵ The proportion accounted for by corporate taxes in total federal budget revenues is also decreasing constantly. It was 23.2 percent in 1960 and 14.9 percent in 1978.¹⁶

The Republican administration's proposed tax reform is not in any sense an "across-the-board cut," as it is described in official documents. The higher brackets are to decrease from 70 to 50 percent while the lowest will decrease from 14 to 10 percent. This actually means that rich Americans will gain immeasurably more in monetary terms than the working population from the tax cut.

On the whole, according to UPI estimates, various tax privileges will give the rich a "gift" of around 750 billion dollars over 5 years. Even the bourgeois American press has admitted that "the largest tax cuts are envisaged for population strata with the highest incomes.... We cannot say that the tax cut will be distributed equally across the board."¹⁷

The Attack on Social Gains

When the administration submitted its revised draft budget for 1982 to the Congress, it announced that it had made "uniform" cuts in allocations for the entire range of programs. In fact, the radical changes in the budget are nothing like an even haircut.

The draft budget is clearly militaristic in nature. It envisages a further dramatic increase in military spending. It also proposes unprecedented cuts in expenditures

on social and other domestic programs. In February of this year, the President proposed cuts in 63 domestic programs, and in March another 200 or so programs went under the knife. Congress approved the administration's proposals with few changes. The 1982 budget envisages cuts in expenditures on programs connected with various benefits, privileges and services for workers, farmers, students, sick people, poor people and other categories of Americans who need government assistance. The largest cuts were made in programs of interest to blacks and other colored Americans who belong to the poorest population strata. There will be cuts in appropriations for medical assistance for the poor (the Medicaid Program) and the health care program for the aged (Medicare) will be cut by 1.4 billion dollars. Food stamp funds will be cut by 1.9 billion dollars. This means that the number of poor Americans receiving them will be reduced by 1 million. Rent subsidies for low-income families will be cut. Appropriations for unemployment benefits will be cut by more than 1.3 billion dollars.

The total cuts will exceed 35 billion dollars, but this is only the beginning. Further large cuts in expenditures on the social needs of the population are envisaged for subsequent years.

Finally, along with direct cuts in some federal social programs, the budget envisages the transfer of several other programs to state government jurisdiction (this will affect that funding of elementary and secondary schools, some types of medical assistance and other social services). This is not being done to "bring government closer to the people," as the official explanation is phrased. The history of the United States testifies that the laboring masses have won their most important victories in the social, economic and political spheres precisely on the national level. The transfer of some socioeconomic matters to the jurisdiction of state and local government bodies will actually mean that the single battlefield on which the popular masses waged decisive battles will now be replaced by at least 50 fields.

By delegating certain rights and obligations in the social sphere to state and local government bodies, the conservatives are not only trying to restrict social assistance for the working population but are also pursuing political goals. As early as 1975, one of the ideologists of neoconservatism, D. Bell, wrote with obvious concern that the "political arena" in which the confrontations between the major social groups were taking place was Washington, where a struggle was being fought "for a share of government donations." The demands of the masses, according to Bell, were "focused" on federal government bodies. This, according to the conservative view, creates a situation in which a dangerous confrontation could break out between the government and the masses with their "rising expectations."¹⁸

The administration's present policy does not, however, consist only in the redistribution of functions within the government as a whole. The very dimensions of government intervention in the socioeconomic sphere are to be limited. The government's authority, as the President announced on 19 February of this year, "should not be used to regulate the economy or conduct social reforms." Therefore, there is an obvious far-reaching political goal here: The government is to be relieved of all responsibility for unsolved social problems.

Attacking the government system of social assistance and services, the conservatives allege that these expenditures have a "negative effect on inflation, American values

and the American economy."¹⁹ The words quoted above are taken from the Republican Administration's plan of action, worked out by one of the conservatives' main ideological centers, the so-called Heritage Foundation. Actually, many Western countries are ahead of the United States in terms of the scales of government expenditures for these purposes. In the mid-1970's these expenditures represented 15.7 percent of the gross national product in the United States, 16.7 percent in England, 18.9 percent in Canada, 19.6 percent in Italy, 20.6 percent in the FRG, 20.9 percent in France and 21.9 percent in Sweden.²⁰ Several economic indicators are higher in these countries than in the United States, however. For example, according to data for 1978, annual real GNP growth was 2.3 percent in the United States, 3.8 percent in Sweden, 4.4 percent in the FRG, 2.8 percent in Canada and 6.1 percent in Japan. The increase in the hourly wage of workers was only 0.6 percent in the United States, but it was 5.7 percent in Sweden, 3.6 percent in the FRG, 4.7 percent in Canada and 7.9 percent in Japan.²¹ The experience of these countries does not corroborate the presence of the negative correlation, announced by the conservatives, between the level of social spending and some important parameters of economic development. There is another kind of correlation, however, which they prefer not to mention: a correlation between the level of military spending and economic "vitality." In terms of the percentage of the GNP used for military purposes, the United States is far ahead of the other capitalist states, including its main rivals in world markets--Japan and the FRG.²² The present administration's intention to increase military spending could complicate U.S. economic problems even more.

Conservative ideologists have implied that the system of government welfare benefits lets one part of the population (the poor) live at the expense of another, well-to-do part, and that national income is unfairly redistributed to the detriment of the rich. Statements like this distort the facts. In the first place, the laboring American public also helps to finance the welfare system by paying taxes. The main social program, and the most costly one, the general federal program of social security (which pays benefits to the aged, to families in which the breadwinner has died, and to the disabled) is financed equally by working Americans and employers. In the second place, the growth of government appropriations for social purposes did not eradicate inequality and could not even "equalize" the incomes of various social groups to any extent. "The opponents of government transfer (social--I. G.) benefits have no serious grounds for complaint. The rich are still rich," L. Thurow writes in his latest book.²³ This is attested to by data on income distribution per worker. If the employed population of the United States is divided into five equal groups according to wage and salary levels, from the lowest to the highest categories, the changes in their share of total income over three decades would look like this:

Table 1

<u>Categories</u>	<u>1948</u>	<u>1977</u>
Lowest 20%	2.6	1.7
Next 20%	8.1	7.7
" 20%	16.6	16.1
" 20%	23.4	26.4
Highest 20%	49.3	48.1

An accurate picture of the progressive socioeconomic inequality in the United States can only be derived, however, if data on wealth as well as income are taken into account. The "upper" 20 percent not only earns approximately two-fifths of the income but also owns four-fifths of the wealth. It is indicative that many forms of income from wealth (for example, from the capital increment resulting from a rise in the market value of securities, etc.) are not included in American statistics. As a result, the rich seem less rich and the financial inequality in the nation seems less scandalous than it really is. If we consider all income from capital, the income share of the "upper" 1 percent of family units would not be 5 percent, as official statistics claim, but 11 percent.²⁴

Therefore, the workings of the capitalist market economy lead to the redistribution of national income in the bourgeoisie's favor and to the polarization of wealth and poverty in the United States. The working population's share of national income, of the gross social product and of national wealth is decreasing. All of this is a result of the natural law, discovered by the founders of Marxism, leading to the relative impoverishment of the working class. This result, however, is not a fatal inevitability. This characteristic tendency of capitalism "becomes a reality in the absence of a class struggle by the proletariat against this tendency, in the absence of labor safety legislation enacted under pressure from the working class."²⁵ The American working class and laboring public fought a long and stubborn struggle for a number of concessions from the bourgeois government and the monopolies. The most important are social benefits for the population. When we include social benefits, most of the recipients of which are underprivileged individuals, the distribution of per capita incomes (in percentages of total income, adhering to the same principle of dividing the employed population into five equal groups) is the following:²⁶

Table 2

<u>Categories</u>	<u>1948</u>	<u>1977</u>
Lowest 20%	4.1	5.6
Next 20%	10.5	11.7
" 20%	16.0	18.1
" 20%	23.5	26.5
Highest 20%	45.9	38.1

A comparison of these data to the income data presented above indicates that transfer benefits do counteract the tendency toward the polarization of wealth and poverty in the country. When these benefits were not included, the income of the "upper" 20 percent in 1948 was 19 times as great as the income of the poorest 20 percent, and 28 times as great in 1977; when these benefits were included, the respective figures were 11 and 7. The actual gap, of course, is much wider because statistics do not include most of the income of the richest segment of the population, which uses various loopholes for its concealment. The disclosure of this income in full would require a special investigation, but even the available data are enough to illustrate the role of social benefits. By opposing these benefits, conservative circles are trying to deprive the working population of its most important economic triumphs and remove the obstacle inhibiting the enrichment of the bourgeois elite. The limitation of social benefits and services proposed by the present administration will lead to the further redistribution of national income in favor of the rich. This is the class purpose of the conservative policy of curtailing government socioeconomic activity.

These are some of the characteristic aims and initial actions of the conservatives now standing at the helm of the U.S. executive branch. They prove that the political essence of conservatism does not consist simply, as one American dictionary states, in "maintaining the status quo."²⁷ (Definitions of this kind can also be found in some Soviet publications.) Actually, by making every effort to prevent the consistent development of society and progressive changes, conservatism is energetically striving to cut or eradicate the conquests of the popular masses and reverse the course of history. The purpose of the American conservatives' present social program, which has been elevated to official status, is not so much the conservation of the status quo as the restoration of many reactionary elements of the past.

The Opposition Grows

Conservative circles realize that it will not be easy to carry out these plans and turn the political axis of the nation to the right. What do they expect to do and what tactics are they prepared to use?

Above all, they will use the momentum of their election victory, the preference given to Reagan, the Americans' desire for a change and their disillusionment, not only with the results of the Carter Administration's activity but also with the very system of state-monopoly regulation, which is now undergoing a crisis. This is the reason for the appeals to "give President Reagan a chance." If the cycle should lead objectively to better market conditions, the administration will try to take credit for this.

The conservatives are placing great hopes in the unrest and confusion within the Democratic Party, which still has not recovered from its election defeat. Most Democrats in the Congress have not refused to support the intense increase in military spending and have not put forth an alternative to the Republican economic program. Their tactics consist in saving a few social programs. Some Democratic senators and congressmen even voted in favor of the administration's proposed tax reform and budget. The growth of the mass struggle against administration policy could naturally motivate the Democrats to take a more critical stand on Reagan's program. As yet, however, only a group of black members of the House of Representatives put forth an "alternative budget," which has been supported by a few dozen liberals.

The plans of conservative forces hinge on the preservation and escalation of war hysteria and anti-Soviet hysteria in the nation. In this atmosphere, it would certainly be easier to force the nation to accept unlimited increases in military spending at the expense of social programs.

We cannot say that the provocative references to the "Soviet threat" and the speculation on the American public's fears and sense of national pride have not produced any results. According to a January Harris poll, two out of three Americans support increased military spending.²⁸

Finally, some of the conservatives' important plans are connected with the tactic of dividing the broad public masses. In general, the conservatives make more extensive use of this divisive tactic in their social policy than the liberals. They are

now making an earnest effort to create conflicts between the poor, who receive welfare, and the laboring class, who do not, and to fuel clashes between whites and non-whites and between young and old. There have been statements that the non-whites have already received "too much" and that the poor are "lazy bums hanging around the necks of the workers." In an attempt to divide the laboring public, disorient segments of this class and thereby acquire a broad mass base, the administration is alleging that its program will be of greatest benefit to the "middle class," in which it arbitrarily includes a significant portion of the workers. When the President addressed members of the National Urban League on 2 March this year, he said that "the middle class is the chief source and support of the American way of life."

The divisive tactic is employed with the aid of economic and ideological leverage. It is indicative that the administration has made cuts mainly in programs assisting the poor but has been quite cautious about programs affecting other strata. For example, there have been no cuts or only minimal ones in pensions for the elderly and disabled, in medical care for the aged (Medicare), in benefits for the blind and in pensions for veterans. The main victims of the budget cuts, we repeat, are the poor, but they are only the first victims because the tax reform and the general pro-monopoly course of the conservatives pose a threat to the standard of living of the broad masses. The administration has persistently asserted, however, that "the truly needy" will continue to receive government assistance. In his inauguration speech, Reagan promised to show "compassion."²⁹ These assurances are supposed to win some needy Americans over to the conservatives' side.

Nevertheless, the conservatives are not relying exclusively on social maneuvers, the division of the laboring public and the manipulation of public opinion, but are also preparing to suppress signs of protest. The extensive use of force has always been an integral part of conservative social policy. Under present conditions, the tendency toward stronger political reaction and repression within the country is indissolubly connected with policy "from a position of strength" in the world arena.

The Republicans have already set up an inquisitorial Senate Subcommittee on Security and Terrorism. Plans are being made to remove all the restrictions imposed on the CIA, FBI and other special services in the mid-1970's and expand their secret war against dissidents and their campaigns of surveillance, badgering and persecution. The administration's treatment of the striking air traffic controllers and their union was harsh. An old truth is being corroborated: Cold war policy and McCarthyism are two sides of the same coin.

Despite the present massive ideological offensive, many Americans are beginning to realize the truth about conservative domestic policy and its social consequences. Reports of protest demonstrations against the draft federal budget are coming in from literally all corners of the United States. The most diverse public organizations are voicing pointed criticism--labor unions, black, women's and youth groups, senior citizen, environmentalist and consumer advocate associations and many others.

Several statements criticizing Reagan's economic program as something of "indisputable benefit to the rich" have been made by the AFL-CIO leadership. It has tried to organize a mass protest march in Washington. The views of rightwing labor leaders, however, are distinguished by obvious inconsistency. Although they criticize cuts

in social programs, many of them are not opposing the growth of military spending, are denouncing detente and are supporting the lies about the "Soviet threat." It is impossible, however, to "ride in two directions at once" and to combine the uncombinable--guns and butter. Sensible Americans are calling attention to this. In the coalition of 157 public organizations opposing the administration's economic program, formally headed by the AFL-CIO, the views of cold war advocates have not been widely supported. One of the most influential black spokesmen, National Urban League leader V. Jordan, has criticized these views. Suggesting that the budget be balanced by eliminating the colossal tax privileges of the rich, and not at the expense of the poor, Jordan said: "Will the projected huge and inflationary increase in military spending really strengthen national security or can this security be safeguarded in some other way? For some reason, important questions like this are not being raised by liberal members of Congress, who have been frightened by the erroneous interpretation of the election results, or by officials whose view is obscured by the blinders of conservative ideology, or even by advocates of social programs.... This is tantamount to complicity in the deliberate deterioration of the living conditions of Americans."

The bombastic spokesmen of the right wing have announced the coming of a "lengthy conservative era" and assert that conservatism's "star has risen." In reality, however, the conservatives now face a time of serious trials, during which the masses will judge them according to the results of their activity and not their rhetoric. The actual purpose of conservative policy, reflecting the interests of the most reactionary and belligerent circles of monopolistic capital, will become increasingly evident. This will unavoidably evoke growing opposition. "An important distinctive feature of the new political situation," Gus Hall said, "is the revival and upsurge of popular movements marking the bounds of broad mass struggle."³⁰ This, in turn, is an indication of the future exacerbation of social conflicts and increased internal instability in the nation.

FOOTNOTES

1. "Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress], Moscow, 1981, p 20.
2. Ibid.
3. V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Collected Works], vol 20, p 67.
4. CONGRESSIONAL RECORD, 19 January 1976, p H65.
5. "Economic Report of the President, January 1977," Wash., 1977, p 9.
6. DAILY WORLD, 3 February 1981.
7. WORKING PAPERS FOR A NEW SOCIETY, November-December 1980, p 51.
8. "Republican Platform Proposed by the Committee on Resolutions to the Republican National Convention," Detroit, 14 July 1980, p 33.

9. Ibid., p 31.
10. Ibid., p 32.
11. Ibid.
12. PROGRESSIVE, November 1980, p 47.
13. BUSINESS WEEK, 30 June 1980.
14. WORKING PAPERS FOR A NEW SOCIETY, November-December 1980, p 48.
15. Calculated according to data in: ECONOMIC INDICATORS, October 1980, p 8.
16. "Statistical Abstract of the United States 1979," Wash., 1979, p 256.
17. THE WASHINGTON POST, 21 February 1981.
18. FORTUNE, April 1975, pp 98-100.
19. "Mandate for Leadership," edited by C. Heatherly, Wash., 1980, p 1057.
20. U.S. NEWS AND WORLD REPORT, 22 January 1979, p 28.
21. TIME, 21 April 1980, p 54.
22. U.S. NEWS AND WORLD REPORT, 22 January 1979, p 28.
23. L. Thurow, "The Zero-Sum Society," N.Y., 1979, p 156.
24. J. Pechman and B. Okner, "Who Bears the Tax Burden," Wash., 1974, p 46.
25. V. I. Lenin, Op. cit., vol 4, p 218.
26. "U.S. Bureau of the Census. Current Population Reports," Series P-60, No 117, December 1978, p 22.
27. E. McCarthy, "Dictionary of American Politics," N.Y., 1968, p 34.
28. THE HARRIS SURVEY, 26 January 1981, p 1.
29. It is interesting that on this occasion the new President repeated, almost word for word, a statement by his predecessor, who said in his inauguration speech in 1977 that the government "should be full of compassion."
30. KOMMUNIST, No 5, 1981, p 119.

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UNITED STATES-CHINA: BETWEEN TRIANGLE AND QUASIALLIANCE

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 25-36

[Article by V. N. Zanegin and V. P. Lukin]

[Text] Another important page in the history of Sino-American relations, reflecting their further evolution, has been turned. Half of this page was imprinted with the activities of the Carter Administration, which determined Washington's policy in relations with the PRC during most of the second half of the 1970's.

The other half, the one printed in characters, was written by the transitional government in China, which took shape in Beijing after the death of Mao Zedong in September 1976 and the subsequent expulsion of the so-called "gang of four."

Now only time will tell what place this period will occupy in the overall development of U.S.-PRC relations and what prerequisites it has established for the future evolution of relations.

As we know, U.S.-Chinese rapprochement in the form of an actual policy of both governments began in February 1970.¹ This first stage culminated in the visit of then President Nixon to the PRC and the adoption of the so-called "Shanghai Communiqué," which became the basis of the beginning process of rapprochement. This first, dynamic stage ended in late 1973 and early 1974. Its main results were the establishment of systematic and reliable channels of bilateral consultation (primarily through the permanent liaison offices opened in the capitals of both countries), the first steps toward the development of economic, scientific and cultural contacts and the beginning of a systematic exchange of views on major issues in world politics. It was during this period that "triangular diplomacy" was worked out, in Washington, largely through the efforts of H. Kissinger, and was adopted. The main principles of this diplomacy consisted in the adoption of important foreign policy resolutions simultaneously with a view to the USSR and the PRC, the maintenance of approximately equidistant relations with both of these countries, and attempts to make U.S. relations with the USSR and with the PRC better than these two states' relations with one another. Washington's practical steps during this stage pursued corresponding goals.²

The second stage of Sino-American rapprochement could be dated from the beginning of 1974 to the end of 1977. It was distinguished by some deceleration of the development of U.S.-PRC relations. This was due to the uncertain domestic political

situation in both countries (the illness and death of Zhou Enlai and then of Mao Zedong and the subsequent fierce power struggle in the PRC, and the Watergate scandal, the resulting resignation of President Nixon and the term of the transitional Ford Administration in the United States) and to the very logic of bilateral relations. During this stage, the sociopolitical and ideological conflicts that had been relegated to the background at the beginning of the normalization process again came to the fore.³

Finally, the third stage of U.S.-Chinese rapprochement began in spring 1978 and lasted until the end of the Democratic administration. Will it continue now that the Republicans are in office or will a new stage in U.S.-PRC relations begin? A definite answer to this question will become possible when the foreign policy of the Reagan Administration acquires its final outlines and the extent of its similarities to, and differences from, Democratic policy become apparent. Much will also depend on the policy of the present Chinese leadership. The characteristic features of the third stage of U.S.-Chinese rapprochement, however, provide enough of a basis for us to sum up certain results and determine current trends.

The Zigzags in Carter's 'China Policy'

In January 1977, when Carter took office, relations with China were relatively low on his list of priorities. The American foreign policy machinery was then occupied with the resolution of problems in relations with the main capitalist allies, the vigorous dialogue with the developing countries within the "North-South" framework, the propagandistic "human rights" campaign and the evaluation of earlier theories about strategic arms limitation, and was therefore apparently simply incapable of running at full speed in the "Chinese direction." Even then, however, Washington took every opportunity to stress that the "triangular diplomacy" was still in force. This was precisely the purpose of such ostentatious displays as the unexpected inclusion of James Carter's son in the American congressional delegation sent to the PRC as soon as Secretary of State Vance had returned from Moscow, as the reports leaked to the press about the President's desire to visit Beijing and as the news that the United States was regularly informing the PRC of the details of the U.S.-Soviet strategic arms limitation talks. This was also the time when the President authorized the National Security Council to evaluate the expediency of selling military equipment to China.

This kind of relatively cautious interpretation of "triangular diplomacy" during the first stage of Carter's term in office resulted from, among other factors, the fierce struggle over foreign policy priorities within the government. Many influential and authoritative persons within the government and the Democratic Party still believed that the United States should strive primarily for a mutual understanding with the Soviet Union on fundamental aspects of strategic arms limitation. They were certainly not against the use of "triangular diplomacy" as leverage to gain as many concessions as possible for Washington from the USSR in the process of attaining this basic goal. But they also believed that excessive reliance on this leverage could have results diametrically opposed to the desired effect. Many of them maintained that the threat to use the "China card" was much more productive than its actual use. There is every reason to believe (and even the American press had much to say about this) that this was the view of then U.S. Secretary of State Vance.

Another wing of the Carter Administration proceeded from absolute different assumptions. Its members were extremely anti-Soviet and believed that anything that could hurt Soviet interests in the international arena should be used "150 percent" and that the Chinese reserve should therefore be resolutely utilized, even at the cost of serious concessions to Beijing. The objective of this group, which was headed in the administration by the President's national security adviser, Z. Brzezinski, was the renunciation of the policy of equidistant relations with the USSR and the PRC in favor of an obvious preference for Beijing, taken all the way to the point at which "triangular diplomacy" would become a relationship quite similar to a coalition directed against the Soviet Union. This group's main specific proposal was the demand for much more active military relations with the PRC. Although this proposal was partly based on a desire to introduce the element of blackmail into relations with the Soviet Union, later events showed that it could serve as grounds for the assumption that the Carter Administration was moving in the direction of a U.S.-China "quasialliance."

In summer 1977 the advocates of open preference for Beijing lost the first round of the fight within the government. Judging by reports leaked to the American press,⁴ the first draft of the President's review memorandum (PRM-24) prepared by the National Security Council raised objections to the excessive use of the "China card" and advocated adherence to the policy of equidistance. The resulting policy was announced by C. Vance when he addressed the Asia Society in New York on 29 June 1977, when he said that the United States did not intend to "flirt with China against the Soviet Union" and would strive to develop American-Chinese relations on a mutually beneficial bilateral basis.⁵

The prospect of this development of U.S.-China relations aroused pointed displeasure in Beijing. The Chinese leaders, headed by Deng Xiaoping, launched a fierce attack on the particular aspects of U.S. policy that they regarded as insufficiently anti-Soviet.⁶

Beijing's attack gave new momentum to the struggle within American ruling circles over questions of China policy and, in the broader context, over all aspects of "triangular diplomacy." The advocates of the coalition within the Carter Administration tried to strengthen their influence with the aid of recent developments within the PRC (the increasing strength of Deng Xiaoping's group, thought to be more pro-American by many U.S. experts), the state of Soviet-Chinese relations, which did not improve after Mao Zedong's death, and international political events in some parts of the world, particularly the African continent.

As conservative feelings became more pronounced in the American sociopolitical sphere, forces opposing detente and advocating a return to a hard line in relations with the Soviet Union through the achievement of military and political superiority began to exert more influence in Washington's foreign policy establishment. These forces supported the buildup of U.S. military potential and favored the more active use of the China factor in American foreign policy strategy.

All of this led to the gradual regrouping of forces within the government and in broader political circles in the United States. The first concrete results of this regrouping became apparent in spring 1978. In April it was unofficially announced that the United States would no longer object to purchases of military equipment by

China from the Western European states. This paved the way for Brzezinski's visit to the PRC in May 1978.

This visit signified a sharp zigzag in the policy of the Carter Administration away from the relatively balanced and equidistant "triangular diplomacy" toward purposeful pro-Beijing and anti-Soviet actions. Therefore, Brzezinski's visit to Beijing can be regarded as the start of the third stage of U.S.-Chinese rapprochement, at the basis of which lay the move from "triangular diplomacy" to attempts to establish the preconditions for an informal anti-Soviet coalition.

And it was not simply that Brzezinski's talks with the Chinese leaders paved the way for the total bilateral normalization that was accomplished 7 months later. According to both sides, this was not the main topic of the talks. On the contrary, bilateral normalization was only a sort of adjunct to the main topic of the discussions of May 1978 in Beijing. The main topic, noted reports in the world press based on information deliberately leaked by American government sources, was the ascertainment of the "mutual American and Chinese interest" in opposing the Soviet Union in the world arena.⁷

Brzezinski's China visit was followed by a period of vigorous U.S.-Chinese rapprochement. The stagnation that was characteristic of the 1974-1977 period was replaced by rapid and consistent progression, reminiscent of, and in some respects even surpassing, the corresponding processes of the initial stage of normalization.

For example, the United States and the PRC agreed on mutual recognition and the establishment of diplomatic relations on 1 January 1979. This agreement was made possible by the United States' acceptance of Beijing's preliminary conditions: the severance of diplomatic relations with the Taiwan Kuomintang regime, the denunciation of the U.S.-Taiwan mutual defense treaty on 1 January 1980 and a pledge to withdraw military contingents from the island and dismantle military installations there. In contrast to the period of the Shanghai Communique, this time the United States unequivocally acknowledged the PRC's jurisdiction over Taiwan. Beijing had to reciprocate by acknowledging the United States' unlimited right to maintain unofficial trade, cultural, scientific and other relations with the Taiwan administration and to resume sales of weapons to Taiwan after an interval of 1 year (starting in January 1980). The Chinese side limited itself to expressing, in protocol form, its displeasure with the U.S. intention to supply Taiwan with weapons and refrained from pledging not to use force to annex the island, although Washington had insisted on this during the negotiations.

The bill on relations with Taiwan, which was approved by both houses of Congress on 13 March 1979, nevertheless included amendments proposed by the conservatives, intended as a warning to the PRC that any attempt to use non-peaceful means to solve the Taiwan problem, including boycotts and embargos, would be interpreted by the United States, with serious anxiety, as a threat to peace and security in the West Pacific. The bill also included a U.S. pledge "to supply Taiwan with defensive goods and services in such quantities as might be necessary to Taiwan for the maintenance of adequate self-defense potential."⁸

For the maintenance of unofficial relations with the Kuomintang regime, the U.S. Government founded the American Institute in Taiwan, registered in the District of Columbia as a "non-governmental, non-profit and tax-exempt corporation." The

Taiwan administration, which defined its new specific relationship with the United States as a fully official one from the very beginning, nevertheless agreed to rename its embassy in Washington the Taiwan Coordination Council for North American Affairs.⁹

By the end of 1980 Washington was certain that Beijing's response to the maintenance and development of U.S.-Taiwan relations would not go beyond formal protests and agreed to extend diplomatic privileges to the American Institute in Taiwan and the Taiwan Coordination Council for North American Affairs, making these establishments equal to embassies.

The establishment of full diplomatic relations between the PRC and the United States, resulting from the display of serious interest in mutual rapprochement, eliminated a number of obstacles that had previously inhibited both sides' attempts to quickly develop bilateral contacts and exchanges in the political, economic, scientific, technical and military spheres.

In particular, Washington's formal severance of diplomatic relations with Taiwan made it possible for Vice Premier Deng Xiaoping of the PRC State Council to officially visit the United States in winter 1979, as a result of which U.S.-Chinese cooperation in the political sphere was dramatically expanded. Deng Xiaoping's talks with the American leaders raised the consultations on important international issues to a new level, including mutual information about talks with the Soviet Union, the coordination of political positions in the United Nations, the inter-governmental exchange of views on security matters, etc. After Deng Xiaoping's visit, these consultations began to be held regularly in Washington and Beijing on the level of high-placed government spokesmen and through diplomatic channels.

One important result of the visit was the reinforcement of the bases of political coordination in the form of the anti-Soviet statement about the "resistance of hegemony." Diplomatic preparations for China's aggression against the SRV (February-March 1979) were among the main goals of Deng Xiaoping's U.S. visit. Chauvinistic circles in the United States were pleased with Deng Xiaoping's threats to "punish" Vietnam because this fit in with their desire to take revenge against the people who had caused the American military establishment to suffer a crushing defeat. As for Washington's official reaction, it was deliberately ambiguous. Deng Xiaoping's threatening statements aroused quite moderate expressions of concern. In addition, American officials clearly implied that the United States and the PRC adhered to the same approach in such matters as "the role of the SRV in Kampuchea" and that this, in turn, indicated a common interest in "resisting hegemonism."¹⁰

In the economic sphere, the main result was the reorganization of U.S.-Chinese trade on the basis of an intergovernmental trade agreement (ratified by the U.S. Senate in January 1980), conferring most-favored-nation status on the PRC, and a number of other agreements.

Besides this, as a result of the normalization of relations, the United States expressed its willingness to officially assist the PRC in carrying out its modernization programs. In particular, the Carter Administration expressed a desire to include Beijing among the recipients of refundable aid in accordance with the Act on Aid to Foreign States.¹¹ The United States also decided that the American Army

Corps of Engineers should assist in the construction of several large hydraulic power plants in China.

Scientific and technical cooperation also began to take place on an intergovernmental basis. The two sides established two intergovernmental commissions made up of cabinet members for consultations in the area of economic relations and questions of scientific and technical cooperation.

The most significant shift in the Carter Administration's "China policy," however, was reflected in the new military aspects of Washington's relations with the PRC.

The Chinese leaders had long displayed an interest in acquiring the latest military equipment from the United States and had informed the American Government numerous times of this desire. But officials in Washington, where the secret investigation of the possible international repercussions of U.S.-Chinese military cooperation had been going on since the beginning of the 1970's,¹² decided to refrain from sending military goods to the PRC. American ruling circles had to consider the negative effect of such shipments on the course of detente and on relations with allies and clients in the Pacific.

The situation began to change as the Carter Administration moved away from the policy of detente in relations with the Soviet Union and paid more attention to the China factor. In spring 1978 statements by Washington's official spokesmen began to reflect an increasingly open interest in the military buildup of China.¹³

Specific steps in this direction were taken by the Carter Administration within the framework of the anti-Soviet campaign launched when the Soviet Union gave the revolutionary Afghan Government military assistance in December 1979. In January 1980, for example, Secretary of Defense H. Brown was sent to Beijing to inform the Chinese side of the United States' willingness to move "from passive to more active forms of cooperation in the sphere of security," including "mutually supplementary" and "parallel" actions "in the sphere of defense, just as in the sphere of diplomacy."¹⁴

According to reports in American newspapers, Washington wanted the Chinese leadership to take more vigorous action against the Afghan Government and help the United States carry out its plans to assist the Afghan rebels. In particular, China was to authorize the use of its air space for the shipment of American military equipment to Afghan counterrevolutionaries in Pakistan. The two sides resolved to render "parallel" military aid to Pakistan and Thailand and to establish centers within their territory for subversive activity against Vietnam and Kampuchea on the Indochinese peninsula and against Afghanistan in Southwest Asia. The mutual understanding in regard to the "parallel" actions extended to questions connected with the manning, funding, arming and training of counterrevolutionary detachments on the Thai and Pakistani bridgeheads.

According to reports in the American press, in Beijing the United States discussed the possibility of supplying the PRC with modern military equipment, the absence of which limited the Chinese Army's capabilities at the time of the aggression against Vietnam. It is true that soon after the U.S. secretary of defense returned to Washington the Carter Administration announced a new relaxation of controls on

exports to the PRC. Manufacturers were then permitted to sell Beijing any type of military equipment with the exception of lethal weapons, including motor vehicles, communication systems, early warning systems and, in the future, transport aviation and military computer equipment. Washington simultaneously took the initiative in relaxing (but actually cancelling), as far as the PRC was concerned, controls on exports to "communist countries," which had been instituted by the United States and its allies in the 1950's.¹⁵

The nature of the U.S.-PRC rapprochement, especially their cooperation in the military sphere, motivated by the political goals of the two sides, clearly demonstrated that American-Chinese contacts had gone far beyond the bounds of bilateral relations and, what is more, had violated the precepts of "triangular diplomacy." During the years that Carter was in office, the emphasis in Washington's China policy moved from normalization to the development of relations of the coalition type, against the interests of third countries. This aspect of Carter's policy aroused anxiety in the camp of his opponents in the United States. For example, R. Tucker, a conservative author who opposed the U.S.-China alliance, stressed that if this policy should be continued, it would "consolidate Soviet-American relations in a permanent and truly dangerous form, making them hostage to our relations with China."¹⁶

Besides this, certain professional and sociopolitical circles (primarily conservative) recognized the need to consider a new strategic factor--the PRC's growing nuclear missile arsenal. These circles were disturbed by Beijing's overtly negative stand on arms control and by the political instability of the Beijing regime. In connection with this, after the normalization of diplomatic relations the United States attempted to involve the PRC in the existing system of arms control talks and agreements. In addition to official consultations, American scientists established a social science forum in conjunction with scientists in the PRC for the joint investigation, on the academic level, of questions of international security, including the issue of arms control.

The Conservatives and 'China Policy'

In general, U.S.-Chinese normalization and the development of relations between the two countries to a certain extent are supported by a broad spectrum of American sociopolitical forces. At the basis of this consensus lie a number of factors, particularly the realization that normal intergovernmental relations with the PRC are expedient and necessary for security interests, the development of trade, the exchange of cultural values, etc. On the level of political decisions, however, a geopolitical consideration is of primary significance: the desire to use the anti-Sovietism of the Chinese leadership in the U.S. interest. In connection with this, American politicians from various camps view the normalization of relations with the PRC as a way of preventing the improvement of Soviet-Chinese relations. Many believe that normal relations with the PRC, including the offer of certain political and economic privileges to Beijing, will keep Beijing among the foreign policy reserves of the United States. This reasoning is based in part on the foreign policy experience of the Carter Administration, which proved that the United States cannot count on its Western allies and Japan to unconditionally support its actions against detente (the significance of this fact was pointed up, for example, by the Atlantic Council report published in Washington and Tokyo in December 1980).¹⁷

Within the framework of these general beliefs, three approaches to relations with the PRC, envisaging varying degrees of revision in the present administration's policy, have taken shape and are competing with one another.

The most distinctive feature in the beginning of the 1980's was the more vigorous action by advocates of a conservative policy toward the PRC, who had remained in the background since the beginning of the 1970's and had rarely divulged their views in full.

There is one group of conservatives who do not object in essence to the establishment of normal diplomatic relations with the PRC and do not absolutely reject the idea of making use of the Chinese leaders' anti-Sovietism under certain circumstances but do argue that the PRC must be treated as a "communist country" and a potential adversary, which would exclude the possibility of friendly relations. The members of this group object to U.S.-Chinese military cooperation and are particularly opposed to the provision of the PRC with weapons and military equipment. The arguments they put forth in support of their position are, in addition to ideological considerations, assertions about the incompatibility of U.S. and PRC interests in the Pacific and about the growing military threat posed by China to the United States and its allies, particularly in connection with the growth of its strategic (nuclear missile) arsenal.

When the Democratic administration was in office, the American mass media tried to minimize the threat posed to the United States by the PRC's nuclear missile potential. Now this topic is being discussed more actively in sociopolitical and professional publications. In particular, a brochure by American military expert B. Hahn was published in Hong Kong at the end of 1980, "The Strategic Implications of People's Republic of China Nuclear Weapon and Satellite Rocket Programs,"¹⁸ which was intended to bring the possible consequences of the PRC's evolution into a global nuclear power to the attention of the American public.

Another feature of this approach to relations with the PRC is the uncompromising stand on the Taiwan issue. Calling Taiwan part of the "free world" and recognizing the island's strategic value in stabilizing the outer perimeter of U.S. defense, the advocates of this approach are insisting that the American Government maintain effective military and political guarantees to safeguard the Kuomintang regime and take unequivocal steps to prevent the possibility of armed intervention by the PRC on the island. The Carter Administration was pointedly criticized for surrendering to Beijing's demands and for its diplomatic recognition at the cost of renouncing ally relations with the Kuomintang government in Taiwan.

Essentially the opposite approach to relations with the PRC is characteristic of another group of conservatives who adopted their program of U.S.-Chinese rapprochement from the liberal "realists." Ignoring the sociopolitical and ideological differences between the two countries, the members of this group are suggesting that the PRC be made part of a new system for the "containment" of the Soviet Union. For this purpose, they propose the immediate ("before the Chinese have a chance to reconsider") and comprehensive development of relations with the PRC, with the offer of various privileges to Beijing and the satisfaction of the Chinese side's most urgent needs, particularly the need for weapons and the latest auxiliary military equipment, the means of troop control, air defense and submarine defense systems,

and so forth. Viewing future U.S.-Chinese relations in the form of a more or less formal anti-Soviet alliance, they propose the immediate acceptance of coalition obligations (for example, guarantees, even if not quite definite, of the "inviolability of Chinese territory," the exchange of intelligence about the Soviet Union, joint or coordinated action in "crisis spots," such as Indochina or Afghanistan, etc.).

The advocates of this line feel that the benefits of keeping Taiwan within the orbit of the "free world" are negligible in comparison to the advantages of a U.S.-China "quasi-alliance" or even alliance, and they therefore feel it is in Washington's interest to wash its hands of the Taiwan problem, as the main obstacle to U.S.-Chinese rapprochement, and do not exclude the possibility of granting Beijing a free hand in this area.

The third approach to relations with the PRC, which differs considerably from the two extreme approaches discussed above, reflects the position of conservative centrists. They advocate the relatively slow development of relations with the PRC, including some forms of military cooperation, such as contacts on an equal level, consultations and participation in training exercises. Representatives of this current object to the sale of weapons to the PRC but they do not believe that the United States should keep China from building up its own military potential to a certain level or prevent China from buying weapons from America's allies. Their optimistic forecasts for the United States stem from their faith in the stability of the present regime in Beijing and from the conviction that the tense Soviet-Chinese relationship will automatically keep Beijing on the side of American foreign policy strategy.

This group has also taken an intermediate stand on the Taiwan issue. Although its members are not inclined to assign great strategic importance to Taiwan, they feel that the United States should observe its ally agreements. They stress that the United States should aid in solving the problem with a view to the interests of Taipei as well as Beijing.

The approach of conservative centrists to relations with the PRC seems to be the most accurate reflection of the present political mood in U.S. ruling circles. It takes into account the widespread desire for normal relations with the PRC, the wish to continue carrying out ally obligations to the Kuomintang regime in Taiwan, and the general anti-Soviet motives of U.S.-Chinese relations as the bases of possible foreign policy combinations. This does not mean, however, that the platform proposed by the centrists will become the basis of the Reagan Administration's "China policy." Policy toward China is currently the subject of disputes among the President's closest advisers, and this provides more evidence of the ambiguous and contradictory nature of the process of U.S.-Chinese rapprochement.

Now and in the Future...

Although we still do not have sufficient grounds for definite conclusions about the general direction of the Reagan Administration's policy toward the PRC, we can discuss some tendencies that are already apparent.

In the first place, the pro-Taiwan leanings of the President and his closest advisers are much less pronounced than they were during the campaign. Whereas Reagan

made several statements in favor of a significant rise in the level of American-Taiwanese relations during the race for the presidency, his later comments were much more circumspect.

There were several reasons for this evolution. There is no question that the main reason was Beijing's fierce reaction. When R. Cline, one of Reagan's foreign policy advisers, visited Southeast Asia (including Taiwan) just before the American election, he expressed the opinion that the PRC was an aggressive state and was posing a threat to Southeast Asia. The Beijing leadership felt the need to immediately, without waiting for the outcome of the election, attack the particular forces within the Republican Party whose views did not correspond to Beijing's ideas about the future evolution of U.S.-Chinese relations. In this way, according to several informed sources, Beijing actually torpedoed Cline's chances of being appointed to the key position of assistant secretary of state for Asian and Pacific affairs.

As a result, Senate majority whip T. Stevens and Anna Chennault, the well-known pro-Taiwan lobbyist, went to the PRC at the beginning of January this year. Stevens and Chennault have not divulged the nature of their conversations with Deng Xiaoping, but judging by the warmth of the reception they received in China and by the fact that they were asked to convey an unofficial invitation to R. Reagan to visit the PRC in 1982, the assurances of loyalty which they took to Beijing must have been convincing enough.

This was also the purpose of former President Ford's visit to Beijing in February 1981. He conveyed a personal message from Reagan to Deng Xiaoping, in which, according to rumors, the President promised not to irritate the Chinese leaders too much and to inform them in advance of the sale of American F-16 fighters to Taipei. Soon after Ford's visit, reports were leaked to the press that Premier Zhao Ziyang of the State Council will most probably visit the United States this year.

At first the key positions in the Reagan Administration connected with the engineering of "China policy" were held by moderate conservatives. For example, John Holdridge, who was present with H. Kissinger when the American-Chinese rapprochement began in the early 1970's, became assistant secretary of state for East Asian and Pacific affairs. The advice and recommendations of officials of this kind promote the continuity of policy toward the PRC (within the context of the third stage of rapprochement) and discourage excessively open pro-Taiwan leanings.

It is becoming increasingly obvious that the basic guidelines and forms of American policy toward China are the same as they were during the third stage of the American-Chinese rapprochement--that is, after spring 1978. While sociopolitical and academic circles in the United States argue about what kind of policy the United States should conduct in relations with the PRC, the new administration has submitted to the force of political inertia and has essentially remained loyal to the Democrats' "China policy."

We can assume, however, that Reagan's own ideological convictions and those of his influential advisers will soon affect the Republican Administration's approach to relations with the PRC. These convictions reflect total anticommunism and, therefore, some contempt for the PRC as part of the "communist world."

In particular, the importance of Taiwan to the new U.S. administration could affect U.S.-Chinese relations. We can assume that Reagan will take a more definite stand on guarantees and military assistance for the Taiwan administration in line with the conservative changes in U.S. foreign policy and strategy and in connection with the conservatives' moral obligations to the Kuomintang government. In this extremely sensitive area for Beijing, however, Washington is trying to operate through middlemen--Holland, Israel and others.

The results of Secretary of State A. Haig's visit to Beijing on 14-17 June 1981 indicate that the Reagan Administration is trying to neutralize the Beijing leaders' dissatisfaction with Washington's two-faced policy, primarily by expanding the military and strategic aspects of U.S.-China relations.

An important step in this direction was the U.S. decision, made just before Haig left for Beijing, to cancel restrictions on exports of combat equipment, including offensive weapons, to the PRC as a "friendly developing country." Furthermore, the President called this move a "normal aspect of the improvement of relations with Beijing" and Haig associated the U.S. Government's willingness to supply the PRC with weapons with an attempt to establish a new basis for U.S.-China rapprochement.

The tendency toward the development of relations in the military sphere is also indicated by the U.S.-China agreement on the further expansion of exchanges between U.S. and Chinese military agencies, including cooperation in the organization of electronic strategic reconnaissance operations against the Soviet Union from the territory of the PRC.

However, as soon as the American Government decided to relax export policy, which would allow China to purchase lethal weapons, the Subcommittee on Asian and Pacific Affairs of the House Committee on International Relations of the American Congress, which generally reflects the more conservative view, expressed worries about the administration's decision. At that time in Beijing, despite the euphoria evoked by the results of the secretary of state's visit, unconcealed dissatisfaction was again voiced in connection with Washington's plans to continue supplying Taiwan with 700-800 million dollars' worth of weapons a year.

This is why it is particularly important to note that the Republican Administration's first high-level contacts with the Chinese leadership were largely in the nature of "gamesmanship" and demonstrative propaganda, intended to camouflage the difficulties and conflicts that became apparent when conservative anticommunists took office in Washington, to portray the prospects for U.S.-China relations in rosy hues and to convey the impression of a genuine American-Chinese alliance.

The main characteristic of the present stage in U.S.-China relations is that the course of events in U.S.-PRC relations and the course of events in U.S.-USSR relations are taking opposite directions. Washington, striving for further rapprochement with Beijing, is simultaneously aggravating Soviet-American relations. It is this fundamentally important fact, and not any of the specific measures taken to improve bilateral U.S.-Chinese relations, that represents a serious threat to security and stability throughout the world. It would be difficult to object in any way to the non-military aspects of American-Chinese normalization if these were not simply a supplement to its military and strategic aspects, and if these latter

aspects were not intended to reinforce "one more front" for the global intimidation of the Soviet Union.

Just before the new American administration took office, the abovementioned report was published on the latest session of the operational group of the Atlantic Council of the United States, an influential foreign policy organization. This report, which was prepared with the assistance of prominent Western European and Japanese political scientists, is called "The Common Security Interests of Japan, the United States and NATO." One of the document's main conclusions consists in recommendations regarding the use of the strategy of "balanced intimidation," according to which steps should be taken to divide Soviet armed forces among three fronts--in Europe, the Middle East and the Far East and Pacific zone--for the purpose of weakening them and restricting their maneuverability. The authors of the "balanced intimidation" doctrine regard the "China factor" as one of the main elements of this strategy.¹⁹

In reference to these plans, the Accountability Report of the CPSU Central Committee to the 26th Party Congress says: "Behind the willingness of the United States, Japan and some NATO countries to expand military and political contacts with China lies the simple hope of using its hatred for the Soviet Union and the socialist community in their own imperialist interests. This is a risky game!"²⁰

The interests of the American and Chinese people would be served best by the improvement of the international situation as a whole. This is why the requirements of the day are a constructive reaction to the peaceful initiatives put forth by the Soviet Union at the 26th CPSU Congress and improvement and progress in Soviet-American and Soviet-Chinese relations.

FOOTNOTES

1. See "RN. The Memoirs of Richard Nixon," N.Y., 1978, p 545.
2. For more detail, see V. P. Lukin, "American-Chinese Relations: Concepts and Realities," SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, No 2, 1973--Editor's note.
3. For more detail, see B. N. Zanegin, "Some Aspects of American-Chinese Relations," SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, No 2, 1975; I. A. Alekseyev, "United States-China: Plans, Maneuvers, Problems," SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, No 2, 1978--Editor's note.
4. THE SAN FRANCISCO EXAMINER, 26 June 1977.
5. THE NEW YORK TIMES, 30 June 1977.
6. CHRISTIAN SCIENCE MONITOR, 30 January 1978.
7. See, for example, THE NEW YORK TIMES, 28 May 1978; B. Garrett, "China Policy and the Strategic Triangle," in: "Eagle Entangled: U.S. Foreign Policy in a Complex World," edited by K. Oye, D. Rothchild and R. Lieber, N.Y.-London, 1979, p 245.

8. "Taiwan Enabling Act," Report of the Committee on Foreign Relations, U.S. Senate, Wash., 1979, p 2.
9. For more detail, see D. T. Kapustin, "Tayvan' i Yuzhnaya Koreya v kitaysko-amerikanskikh otnosheniyakh (1969-1979)" [Taiwan and South Korea in Sino-American Relations (1969-1979)], Moscow, 1980, pp 137-161.
10. For more detail, see SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, No 5, 1979, pp 76-80.
11. H. Harding, "Managing U.S.-China Relations," in: "Evolving Strategic Realities: Implications for U.S. Policymakers," edited by F. Margiotta, Wash., 1980, p 46.
12. "The United States and the People's Republic of China: Issues for the 1980's," Hearings Before the Subcommittee on Asian and Pacific Affairs of the Committee on International Relations, House of Representatives, Wash., 1980, pp 96-108.
13. "China and the U.S.: Into the 1980's," U.S. Department of State, Bureau of Public Affairs, CURRENT POLICY, No 187, Wash., June 1980, pp 3-4.
14. Quoted by H. Harding, Op. cit., p 47.
15. Ibid.
16. R. Tucker, "The Purpose of American Power," FOREIGN AFFAIRS, vol 59, No 2, Winter 1980/81, pp 261-262.
17. "The Common Security Interests of Japan, the United States and NATO," the Atlantic Council of the United States, Policy Papers, Wash.-Tokyo, December 1980.
18. D. Hahn, "Strategic Implications of People's Republic of China Nuclear Weapon and Satellite Rocket Programs," Asian Research Service, Hong Kong, 1980, p 86.
19. "The Common Security Interests of Japan, the United States and NATO," p 6.
20. "Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress], Moscow, 1981, p 11.

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WASHINGTON AND THE PROBLEM OF 'THE NORTHERN TERRITORIES'

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 37-50

[Article by K. Ye. Cherevko]

[Text] The declaration of an annual "Northern Territories Day" on 7 February in Japan at the beginning of this year testified to a new flare-up of the Japanese campaign of unsubstantiated territorial claims on the USSR.

A statement by the USSR Ministry of Foreign Affairs on 16 February 1981 says: "The Soviet side has repeatedly set forth its principled assessment of the Japanese campaign of illegal claims to Soviet territory. We cannot ignore the obvious fact that this campaign has recently taken on a character verging on hostility toward our country. Furthermore, the Japanese Government has taken on the role of its organizer.... The Japanese side is trying to link this friendly campaign with the peace treaty issue.

"The reasons for the absence of a treaty are known. These are the unrealistic position of the Japanese side and its unsubstantiated and futile demands for the resolution of a problem which actually does not exist in the relations between our countries."¹

The Soviet Union has repeatedly expressed its desire to develop friendly and neighborly relations with Japan on the basis of a recognition of existing realities.

In 1977, when L. I. Brezhnev was interviewed by ASAHI Editor-in-Chief S. Hata, he had the following to say about the possibility of a peace treaty with Japan: "If the Japanese side could take a sober approach to the realities that came about as a result of World War II, this could be done, and quickly.

"There is no question that peace treaties generally take in a large group of issues, including questions connected with boundary lines. This applies to the Soviet-Japanese peace treaty as well. But to say that there is some kind of 'unresolved territorial problem' in the relations between our countries is a onesided and inaccurate interpretation."²

At that same time, L. I. Brezhnev proposed, since Japan was not prepared to conclude a peace treaty, an exchange of views and the signing of an agreement on friendship and cooperation between the USSR and Japan. The Soviet proposal was reaffirmed by the 26th CPSU Congress: "The USSR is still in favor of strong and truly friendly relations with Japan."³

The Japanese side, however, is still trying to make this kind of relationship conditional upon the satisfaction of its territorial claims and to reduce all of the questions connected with the conclusion of a peace treaty with the USSR to this single issue. What is more, in recent months Japan has been making a more vigorous effort to gain international public support for its claims. In fall 1980 Japanese Minister of Foreign Affairs M. Ito spoke at the 35th Session of the UN General Assembly and raised the "territorial question" in all its details for the first time in this kind of forum (in the past, Japanese spokesmen used the UN rostrum for this purpose twice, in 1970 and 1972, but they restricted themselves to only a brief mention of the so-called "territorial problem").

On 26 January 1981 Z. Suzuki, the new prime minister, read his government's policy statement in the Japanese Diet and, addressing the Reagan Administration, expressed the hope that the new American government would sympathize with Japan's position in the problem of "settling the issue of the northern territories."

The American Position

The growing elements of anti-Sovietism in U.S. policy in the last year and a half or two years became even stronger when the new President came to the White House. Belligerent appeals and statements are being voiced in Washington and seem to be calculated expressly to aggravate Soviet-American relations. The people there are also not averse to aggravating Soviet relations with other states and urging these states to take anti-Soviet actions. In particular, when the U.S. administration was encouraging Japan to increase its contribution to "collective security" in the Far East and the Pacific, it implied to Japanese ruling circles that it supported their claims to Soviet territory. And during the Japanese prime minister's official visit to Washington in May 1981, the 16 May 1981 issue of YOMIURI reported, with a reference to the speech made in the Japanese parliament by Foreign Minister M. Ito, President Reagan supported Japan's demands for the return of the "northern territories." Soon after this visit, the Japanese Ministry of Foreign Affairs sent the 48 states that had signed the San Francisco Peace Treaty a note, suggesting that they "correct" Japan's northern boundary on their maps to include the southern half of the Kuril Islands.

Several American academics were already suggesting that the United States might support Japan more actively in this matter a few years ago, when Japan became more important in U.S. foreign policy (the "cornerstone of American strategy in Asia"). For example, Professor J. Stephan wrote that the United States would probably make a greater effort to assure the Japanese Government that its ambitions would be supported and to give hope to the Japanese nationalists making claims on the Kuril Islands.⁴

At the basis of the U.S. position on this matter lies the American Senate resolution passed in April 1952, at the height of the cold war, on the ratification of the San Francisco Peace Treaty with Japan of 1951, which stipulates that "the terms of the treaty will not signify recognition of any Russian rights or claims to territory belonging to Japan on 7 December 1941" or "any Yalta provisions in favor of Russia with regard to Japan"⁵ (as we know, the Yalta agreement was signed by the heads of government of the three great powers, the USSR, the United States and Great Britain, on 11 February 1945--K. Ch.). In this way, the United States--and this is attested

to by its diplomatic behavior as well as by the text of the document--went even further than Japanese officials in refusing to recognize the Soviet Union's right to the Kuril Islands or to the southern part of Sakhalin Island right up to the beginning of the 1980's.

For example, after the American Navy violated the boundaries of Soviet territorial waters near the southern half of Sakhalin Island in fall 1971 and U.S. military aviation violated the air space over the islands of Iturup (the Greater Kurils) and Shikotan (the Lesser Kurils), the U.S. Embassy in the USSR issued a memorandum on 28 February 1972, rephrasing the abovementioned Senate resolution, to announce that neither the Yalta agreement nor the San Francisco Peace Treaty provided any grounds for transferring the right of ownership of any "Japanese territory" to the Soviet Union and that the two latter islands were allegedly not regarded by the American side as part of the Kuril Islands.⁶

On 16 April 1977 the U.S. State Department first published some classified documents dating back to 1949. A memorable U.S. Defense Department communique stated: "Japan has sufficient reason to insist on its territorial rights to the Kuril Islands and the islands of Habomai and Shikotan" (the Japanese name for the Lesser Kurils--K. Ch.).⁷

In principle, the United States supports Japan's attempts to substantiate its claims to Soviet territory with the allegation that the Atlantic Charter (the Anglo-American declaration) of 1941, which was signed by the Soviet Union, and the Cairo (1943) and Potsdam (1945) declarations, setting forth the principles of the Atlantic Charter, supposedly include the renunciation of any kind of territorial acquisition and that the Soviet Union pledged to observe this condition.

The War-Time Decisions of the Allies

It is true that the declaration of the Soviet Government of 24 September 1941 on the Atlantic Charter, declaring that "the United States and Great Britain are not making any territorial or other claims" and "will not consent to any territorial changes that do not accord with the freely expressed wishes of the people concerned," contains the following significant statement: "The steps taken to implement these principles must be taken with a view to the circumstances, needs and historical characteristics of each particular country."⁸

In line with the Cairo declaration, which set the objective of punishing the Japanese aggressors and "driving Japan out of all the territories it seized by force and as a result of its greed,"⁹ when I. V. Stalin, head of the Soviet Government, spoke with the heads of the Allied powers--The United States and China--at the Tehran Conference in November 1943, he proposed that the straits leading to Vladivostok and other ports in East Siberia be transferred to the jurisdiction of the USSR and that the Soviet Union's rights to the southern half of Sakhalin Island and the Kuril Islands be restored.¹⁰ President F. Roosevelt reported all of this to representatives of other Allied countries on 12 January 1944 at the 36th Session of the Pacific War Council.¹¹

The Cairo declaration of 1943, which the Soviet Union officially supported later, does not say that the Allies should refrain from adding to their territory by means

of the restoration of rights to territories seized earlier by the Japanese aggressors to prevent the danger of a repetition of this aggression with the aid of these convenient boundary lines, but it does say that the Allies should not strive for conquests of their own and "not entertain any plans for territorial /expansion/ [in boldface]" (emphasis mine--K. Ch.).¹² "Expansion" signifies the seizure or annexation of territory to which the contender has no right or legal claim.

It is important to bear this fact in mind because the Potsdam declaration of 1945 sets forth the obligations of the United States and other Allied powers, as well as of Japan, in line with the surrender act of 2 September 1945, to implement and observe the provisions of the Cairo declaration.¹³

It would seem that there are also no grounds for the American attempts to question the necessity for the United States to observe the Yalta agreement of 1945, which was also signed by President Roosevelt, with regard to the restoration of Soviet sovereignty over the southern half of Sakhalin and all of the Kurils. A telegram sent by Ambassador Harriman in the USSR to the President on 15 December 1944 testifies that the Soviet Government was already expressly requesting the return of southern Sakhalin and the Kuril Islands to the Soviet Union and that Roosevelt sympathized with this request.¹⁴

According to Admiral W. Leahy, a member of the American delegation, at the concluding plenary session of the Yalta conference the head of the Soviet Government, I. V. Stalin, repeated the proposal he had made earlier at a bilateral meeting with the American delegation, saying: "I want everything that Japan took away from my country by force to be returned to Russia." President Roosevelt replied: "It seems to me that our ally's request is quite reasonable. The Russians only want the return of what was taken away from them."¹⁵

The agreement made by the three powers on Far East questions at the Crimean conference, signed 11 February 1945, stipulates: "I. ...The Soviet Union will enter the war against Japan on the side of the Allies on the conditions that 1) the status quo will be maintained in Outer Mongolia (MPR) and 2) Russia's earlier rights, violated by Japan's treacherous invasion of 1904, will be restored, namely that the southern half of Sakhalin and all of the adjacent islands will be returned to the Soviet Union...3) the Kuril Islands will be turned over to the Soviet Union."¹⁶

The return of these territories to the USSR would signify the restoration of its sovereignty, and not simply the right to govern or occupy them.

The heads of government of the three great powers agreed that the Soviet Union's demands would be unconditionally fulfilled after Japan had been defeated. The text also indicates the categorical nature of the Allies' obligations with regard to all of the questions concerned, and this is particularly significant in connection with the attempts of some political and military leaders and historians in the United States and other Western countries to portray this agreement as a preliminary personal agreement by the heads of the Allied powers on their future actions in the postwar peace settlement with Japan.

Japanese historians have even alleged that at the Crimean conference the Allies agreed to turn the southern half of Sakhalin Island and the Kurils over to the

Soviet Union just for temporary occupation until a peace treaty had been signed, and not to give the USSR permanent jurisdiction over the region, and that the USSR has no legal claims to these territories because they supposedly never belonged to Russia.¹⁷

But this is a distortion of the historical facts. An imperial decree signed by Catherine II of 22 December 1786 legally secures the Kurils and other islands in the Pacific as Russian possessions.¹⁸ The texts of bilateral Russo-Japanese agreements also testify that Japan recognized Russia's sovereignty over these territories. For example, during the talks on the conclusion of the first Russo-Japanese treaty of 1855, a "Complete Map of the Major Maritime Boundaries of Great Japan" was prepared, on which the thick line of the border clearly passes along the coastline of the northwestern and northern parts of Hokkaido.¹⁹ These talks also established that the Russians reached the southern part of these islands before the Japanese, thereby acquiring the right of first discovery, on the basis of which international law assigns priority to a state in the acquisition of sovereign rights to a particular territory.²⁰

Document No 606 of the U.S. State Department, which was prepared for the Potsdam Conference (Berlin, 1945) and made reference to the Cairo declaration of 1943, recognizes the validity of the USSR's demands for the restoration of its rights in the southern half of Sakhalin.²¹

The differences in the 1945 Yalta agreement provisions regarding southern Sakhalin and the Kurils stem from Japan's recognition of Russia's ownership of all of Sakhalin Island in the 1875 treaty, whereas in the 19th century Japan began to question Russia's historical right to the southern half of the Kurils, where Russian settlers and Ainu Russian subjects had lived until the Russians were driven out by a Japanese military force in the late 18th century. American sources say that Japan owned the southern half of the Kurils only after 1800. This is acknowledged, for example, in a memorandum prepared by G. Blakeslee prior to the Yalta Conference for a U.S. State Department division studying territorial problems (No CAC-302 of 28 December 1944). In this memo, the Kurils are described as a "chain of 47 sparsely populated volcanic islands stretching almost 690 miles to the northeast from Hokkaido, the northernmost Japanese island, to Russia's Kamchatka Peninsula" and consisting of northern, central and southern groups, the last of which "stretches approximately 235 miles to the north from Hokkaido to the outer boundaries of Iturup Island."²² In other words, all of the islands of the Greater Kurils, including the southern half, and all of the islands of the Lesser Kurils were included in this description. Therefore, the later American attempts to exclude the southern half--the islands of Iturup and Kunashir--and the Lesser Kurils from the Kuril Islands are contrary to official American documents.²³

The American side has no grounds for attempting to question the legality of the Yalta agreement, particularly on the basis that it was a secret agreement, which was made necessary, as we know, by the circumstances of the war against the Japanese aggressors. "Any hint of this agreement could have been a pretext for a Japanese invasion of Russia," wrote then U.S. Secretary of State J. Byrnes, member of the American delegation in Yalta. "It was in our (the Allies--K. Ch.) common interest to facilitate the transfer of Soviet troops from the European front within 90 days after Germany's surrender. For this reason, it is completely understandable that both Marshal Stalin and President Roosevelt tried to keep the agreement strictly confidential."²⁴

Attempts are sometimes made in American literature to prove that the U.S. Senate was justified in refusing to recognize the legality of the Yalta agreement by implying that it was not an international treaty, subject to ratification, but a presidential agreement. In U.S. legal practice, however, American presidents have concluded executive international agreements much more often than international treaties. In 1937 the U.S. Supreme Court equated executive agreements with international treaties. On 1 January 1972 the United States was party to 947 treaties and 4,359 executive agreements.²⁵

The Soviet side's demands for the restoration of its sovereignty over southern Sakhalin and all of the Kurils in accordance with the Yalta agreement in the event that the USSR should enter the war against Japan were accepted unconditionally, and for this reason any allegation that the Soviet Union supposedly lost its right to these territories by violating some kind of conditions is totally invalid.

The Attempted Revision of Wartime Agreements

After the news of the Crimean (Yalta) agreement of the heads of state of the three great powers on Far East questions, to which the head of the Chinese Government was also party, was made public in the United States on 31 January 1946, President Truman made the following statement at a press conference: "This was an agreement signed by Roosevelt, Churchill and Stalin, just like the agreement signed by me, Attlee and Stalin in Potsdam."²⁶

In the first official order of the supreme allied commander in Japan, Truman consented to include not only southern Sakhalin but also all of the Kurils in the zone where the Soviet command accepted the surrender of the Japanese troops after he received a reminder from I. V. Stalin on 16 August 1945 that all of the Kurils, "according to the decision of the three powers in the Crimea, should be transferred to the ownership of the Soviet Union." Later the President corroborated the Yalta agreement provision on the restoration of the USSR's rights to these territories, and he informed Stalin of this in his reply.²⁷

According to the Act on the Japanese Surrender of 2 September 1945, the United States and the other Allied powers, representing one side, and Japan, representing the other, accepted the Potsdam declaration provision that "the conditions of the Cairo declaration will be fulfilled and Japan's sovereignty will be limited to the islands of Honshu, Hokkaido, Kyushu and Shikoku and the smaller islands we have indicated."²⁸ In other words, this provision in the Potsdam declaration actually signified U.S., British and Chinese recognition of the conditions of the Yalta agreement with regard to the restoration of Soviet rights to all of Sakhalin Island and all of the Kurils.

The statement in the Potsdam declaration limiting Japan's sovereignty to the territory of the four main islands listed above and "smaller islands outside these boundaries which might be indicated in accordance with the Cairo declaration and other agreements (consequently, also the Yalta agreement--K. Ch.) to which the United States is party or might become party,"²⁹ was repeated in the U.S. Government's instructions of 29 August 1945 to the supreme allied commander in Japan.

A day after the act on the unconditional surrender of Japan was signed, on 4 September 1945, the U.S. Secretary of State confirmed that the southern half of

Sakhalin Island and the Kurils would be occupied by Soviet troops in accordance with the agreement reached by the heads of government of the three great powers in Yalta. There is no question that the Japanese knew about this. The Japanese Government was informed of the terms of this agreement, particularly with regard to the Kuril Islands, as soon as its contents were made public at a press conference in Washington on 29 January 1946 by acting Secretary of State D. Acheson. On 30 January 1946 ASAHI SHIMBUN published a KYODO TSUSHIN news release about U.S. Secretary of State J. Byrnes' statements at the press conference in regard to the Yalta agreement provision pertaining to the Kuril Islands. He said that the Kuril Islands, in accordance with this agreement, would be turned over to the Soviet Union, which had occupied them long ago, and that the peace treaty would be needed only to formalize the transfer of the ownership of these islands to the Soviet Union. On 31 January 1946 the same newspaper published the basic provisions of the Yalta agreement that pertained to Japan (the full text of the Yalta agreement was published in the Japanese press on 12 February 1946--K. Ch.).

The directive of the headquarters of Supreme Allied Commander D. MacArthur to the Japanese Government on the governmental and administrative division of some regions far from Japan (No 677) of 29 January 1946 said that the Kuril Islands were not part of Japan's territory. The document also spoke of excluding the islands of the Lesser Kurils from Japan's territory,³⁰ but they were mentioned separately from the rest of the Kurils, which contradicted the definition in the memorandum of 28 December 1944, prepared by G. Blakeslee before the Yalta conference for President Roosevelt and Secretary of State Stettinius. Furthermore, MacArthur's directive contained the stipulation that the heads of the Allied governments had supposedly not reached their final decision in regard to the islands smaller than the four main ones mentioned in the Potsdam declaration. This was an arbitrary, absolutely groundless interpretation of this document, aimed at its falsification. This approach reflected the shift in U.S. foreign policy toward "atomic diplomacy" and cold war against the USSR. This shift became particularly pronounced after the victory of the Chinese revolution, the founding of the PRC in 1949 and the start of the war in Korea in 1950, when the United States was completing its preparations for the conclusion of the San Francisco Peace Treaty with Japan, which Washington had decided to turn into the main stronghold of anticommunism in the Far East. The soil for this policy was being prepared by some circles even during World War II. For example, the abovementioned Blakeslee memorandum noted that the transfer of all of the Kurils to the Soviet Union was also justifiable from the standpoint that it would create a difficult situation in Soviet-Japanese relations.

Other documents also excluded the southern half of Sakhalin and the Kurils from Japan's territory. For example, on 26 June 1946 the headquarters of the supreme allied commander sent the Japanese Government Directive No 1033 on the boundaries of the fishing zone adjacent to Japan's territorial waters, limited by the so-called "MacArthur Line," stretching a mile from Hanasaki peninsula (Hokkaido) and a mile south of Signal Island (Kaigara)--that is, the southernmost island of the Lesser Kurils--and further to the south and west of Kunashir--that is, the southernmost island of the Greater Kurils.³¹

On 19 December 1946 the Soviet-American agreement on repatriation from Soviet regions, which included the Kuril Islands and Sakhalin, was signed. For the execution of this agreement, the headquarters of the supreme allied command sent the

Japanese Government a directive (No 1421) of 26 December 1946, containing instructions on the repatriation of Japanese citizens from southern Sakhalin and the Kuril Islands. "The repatriation of the southern Kurils and the islands of Habomai and Shikotan was accomplished in accordance with Soviet-American agreements and the directives of the supreme allied commander," writes S. Miyazaki, prominent Japanese expert on international law. "At this time, the southern Kurils and the Habomai Islands and Shikotan were regarded along with the central and northern Kurils as a single entity--the Kuril Islands (Tishima)."32

Almost half of the inhabitants of the southern Kurils (9,419 out of 18,845) voluntarily returned to Japan prior to the arrival of the Soviet troops or immediately thereafter,³³ and by summer 1949, in accordance with the demands of the Japanese Government and Diet,³⁴ almost all of the remaining inhabitants of Japanese origin had left. The 12 Japanese who wanted to stay here, according to a report of the Japanese Ministry of Foreign Affairs of 5 July 1951 "On the Migration of the Population of the Kuril Islands (Tishima)," which contained information about the conclusion of the repatriation process, were granted Soviet citizenship. The Japanese Ministry of Foreign Affairs included not only the islands of Kunashir and Iturup, but also all of the islands of the Lesser Kurils, among the Kuril Islands listed in this document.³⁵ Imperial Edict No 651 of 22 November 1945 on the creation of an agency to assist repatriates on the local level stated that this agency would be under the jurisdiction of the Ministry of Health and Welfare and would give emergency aid to repatriates who "as a result of the end of the war in Greater East Asia, will return from regions which are not part of Japan's own territory (Sakhalin, Okinawa and the Kuril Islands, or Tishima) to regions which are within Japan's own territory."³⁶

All of this testifies that the Japanese Government regarded the matter as completely settled.

It is noteworthy that the first draft of the peace treaty with Japan, which was sent to the Soviet Government on 19 May 1951, included a point, inserted by the U.S. Government, on the restoration of Soviet sovereignty over these territories, but made this contingent on the Soviet Union's consent to turn the Ryukyu and Ogasawara islands over to U.S. sovereignty, which was not consistent with the provisions of the Cairo declaration and Yalta agreement and therefore could not be approved by the Soviet side.

According to the San Francisco separate peace treaty between the United States and Japan, based on an American draft, Japan gave up all rights and claims to southern Sakhalin with all of its adjacent islands and the Kuril Islands.³⁷

Now, however, the United States insists that Japan supposedly did not give them up in favor of the USSR and that Japan retained rights to these territories. But in accordance with existing provisions of international law, the renunciation of rights and claims to any territory is absolute and is in force for all states, including, of course, the USSR. This is particularly true in view of the fact that the Soviet Union's rights to them were restored in accordance with international agreements and the domestic legislation of our country, the United States and even Japan.³⁸ This means that the principle of de facto consent to the decisions of the Allies on the territorial question can be applied to Japan. Besides this, international law

does not envisage the need for any additional recognition of decisions which have not only been made but also carried out.

It is important to bear in mind that the states party to this treaty included the statement about Japan's renunciation of all claims to southern Sakhalin and all of the Kurils in the text of the treaty after these territories were included among the Soviet Union's possessions in accordance with Soviet legislation. Therefore, the United States' support of these claims is contrary to the wishes of the parties to the San Francisco treaty, including the United States and Japan, and the Japanese Government's request that the American Government support its claims to Soviet territory (particularly Japanese Prime Minister Sato's appeal to President Nixon in 1972) is not only inconsistent with Japan's international obligations but is also contrary to Japanese legislation and statements by Japanese officials about the composition of the Kuril Islands. For example, when the San Francisco Peace Treaty was being ratified in the Diet in 1951, Japanese administration spokesman K. Nishimura told the deputies that the Kuril Islands (Tishima) was the geographic term for all islands in the chain, both northern and southern.³⁹

What the Maps Say

Southern Sakhalin and all of the Kuril Islands, including the Lesser Kurils, are often designated as Soviet territory on American maps.⁴⁰ Prior to Japan's surrender, the administrative center of the Suisho island group (Suisho, Akiyuri, Yuri, Sibotsu and Taraku) was Habomai, a populated point on the island of Hokkaido.⁴¹ By calling this group the Habomai Islands, the Japanese were apparently trying to imply that these islands were part of Hokkaido Prefecture and not part of the Kurils. In a number of official documents, however, such as the sailing directions issued by the Hydrographic Department of the Japanese Ministry of the Navy in 1928 and 1937, the Lesser Kurils are included among the Kuril Islands.

For example, the sailing directions for southern Sakhalin and the Tishima Islands, published in March 1937 by the Hydrographic Department of the Japanese Ministry of the Navy, state in section 3, "The Southern Part of the Tishima Islands" (p 31): "This section contains a description of the southern Tishima Islands, consisting of two large islands, Kunashir and Iturup, the Suisho Islands and the island of Shikotan."

The Lesser Kurils are depicted as part of the Kuril Islands on maps in Volume X of the Japanese Geographic Encyclopedia (1930), the "Geographic Atlas of Japan" (1936) and a book entitled "A Survey of the Geography and Customs of Japan" (1936). Volume XIII of the Encyclopedia Britannica (1947) says that one of the main Kuril islands is Shikotan.

On the black and white map of Japan, with a scale of 1:200,000, of the Japan Ministry of Home Affairs' Cartography Department, revised on 31 May 1946, Kunashir and Iturup (and even Shikotan on the 25 May 1930 edition of the map) are included among the Tishima (Kuril) Islands.

On a number of postwar maps of Japan, approved by the Ministry of Education, the Lesser Kurils, Kunashir and Iturup are separated from the northernmost Japanese island by a boundary line, and on some of them this is the line of the state border.

It is significant that at a press conference on 28 March 1951, J. F. Dulles said on behalf of the U.S. Department of State that the U.S. Government objected to the inclusion of the Habomai Islands among the Kurils, on which an agreement had been reached in Yalta, but he did not object to the inclusion of Shikotan. At the 12th Session of the Diet on 19 October 1951, Deputy Okamoto from a special committee of the House of Representatives on the peace treaty and the Japanese-American "Security Agreement" alerted the Japanese Government to the fact that the American side was "including Shikotan among the Kuril (Tishima) Islands."⁴²

Therefore, the present attempts by U.S. and Japanese ruling circles to allege that the geographic term "Kuril (Tishima) Islands" does not include the southern Kurils are contradicted by Japanese maps compiled according to Japanese legislation.

Judging by the materials of the International Academic Information Society, which has analyzed the study of Japan in various countries for the purpose of correcting errors in textbooks, and other sources, the Kuril Islands and southern Sakhalin are now depicted as Soviet territories on the geographic maps of the overwhelming majority of countries. Only four countries depict them as Japanese territories--the PRC, Honduras, Panama and the FRG (on some maps), as well as the Seoul regime, as the Japanese Ministry of Foreign Affairs confirmed in a memo of June 1981.

Therefore, we can see that decisions were made to restore the USSR's sovereignty over southern Sakhalin and all of the Kurils during World War II, that these decisions were later entered in international documents and that even Japan consented to them in general.

Consequently, questions pertaining to the demarcation of territorial boundaries between the USSR and Japan have been unequivocally and completely settled. This is further proof of the contrived nature of the entire so-called "problem of the northern territories" and of Washington's selfish and unscrupulous plans in connection with the illegal Japanese claims.

FOOTNOTES

1. PRAVDA, 17 February 1981.
2. L. I. Brezhnev, "Leninskim kursom. Rechi i stat'i" [Following Lenin's Course. Speeches and Articles], vol 6, Moscow, 1978, pp 414-415.
3. "Materialy XXVI s'yezda KPSS" [Materials of the 26th CPSU Congress], Moscow, 1981, p 25.
4. J. Stephan, "Kuril Islands: Russo-Japanese Frontier in the Pacific," Oxford, 1974, p 220.
5. CONGRESSIONAL RECORD, 20 March 1952, vol 98, pt 2, p 2594.
6. "Hoppon ryodo mondai shiryoshu," Tokyo, 1968, p 132.
7. ASAHI SHIMBUN, 18 April 1977.

8. "Sbornik deystvuyushchikh dogovorov, soglasheniy i konventsiy, zaklyuchennykh SSSR s inostrannymi gosudarstvami" [Collected Valid Treaties, Agreements and Conventions Concluded by the USSR with Foreign States], vol XI, Moscow, 1955, pp 43-44.
9. "Russkaya tikhookeanskaya epopeya. Sbornik dokumentov" [Russia's Pacific Age. Collected Documents], Khabarovsk, 1979, p 582.
10. "Sovetskiy Soyuz na mazhdunarodnykh konferentsiyakh perioda Velikoy Otechestvennoy voyny 1941-1945" [The Soviet Union at International Conferences of the Time of the Great Patriotic War, 1941-1945], vol 2, Moscow, 1977, p 142.
11. "FRUS. The Conferences at Cairo and Tehran, 1943," Wash., 1961, p 869.
12. "Sbornik deystvuyushchikh dogovorov, soglasheniy i konventsiy, zaklyuchennykh SSSR s inostrannymi gosudarstvami," vol XI, p 106.
13. Ibid., p 137.
14. "FRUS. The Conferences at Malta and Yalta, 1945," Wash., 1955, pp 378, 768.
15. W. Leahy, "I Was There," N.Y., 1950, p 318.
16. See the original English text: "The Teheran, Yalta and Potsdam Conference," Moscow, 1969, p 145. The text of the agreement was drafted after the heads of the Soviet, U.S. and British governments had reached a preliminary agreement on its provisions on the basis of a first draft in English, proposed by People's Commissar of Foreign Affairs V. M. Molotov to A. Harriman, member of the U.S. delegation, on 10 February 1945, and contained conditions discussed 2 days earlier by I. V. Stalin and F. Roosevelt; in particular, with regard to these islands, it was included with no changes in the agreement (see Victor Israeljan, "The Anti-Hitler Coalition. Diplomatic Relations Between the USSR, USA and Britain During the Second World War, 1941-1945," Moscow, 1971, p 354; Yuhashi Shigeto, "Senji kosho shoshi, 1941-1945," Tokyo, 1974, p 183). The author has employed a clearer translation of the wording of Point 3 of the Yalta agreement ("the Kuril Islands will be turned over to the Soviet Union"); incidentally, this wording is also used in the new Soviet edition of collected documents, which states that President Roosevelt informed the Soviet side in February 1945 that the Kuril Islands would "be turned over" to the Soviet Union ("Sovetskiy Soyuz na mezhdunarodnykh konferentsiyakh perioda Velikoy Otechestvennoy voyny," vol 4, Moscow, 1979, p 140).
17. For example, Kosaku Tamura, "Hoppono ryodo-no tin," GAIKO JIHO, No 10, 1969, pp 20-21.
18. Central Main Archives of the Navy of the USSR, "The File of Count I. G. Chernyshev," d 2, f 367, sh 322.
19. Akio Funakoshi, "Hoppono rekishi," Tokyo, 1976, p 264.
20. Russian Foreign Policy Archives, Main Archive, 1-9, doc 17, pt 2, shs 51-54. For more detail, see MORSKOY SBORNIK, No 12, Moscow, 1976, pp 65-68; PROBLEMY DAL'NEGO VOSTOKA, No 4, 1976, pp 128-129.

21. "FRUS. The Conference of Berlin (Potsdam), 1945," vol 1, Wash., 1960, p 927.
22. "Hoppon ryodo-no tin," p 587; OFFICIAL DOCUMENTS, Tokyo, 1962, p 1025.
23. "FRUS. Diplomatic Papers. The Conferences at Malta and Yalta, 1945," p 379.
24. J. Byrnes, "The Yalta Hide of the Big Three. The Yalta Conference," Boston, 1955, p 15.
25. For more about executive agreements as a form of American international obligations, see SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, No 6, 1973, pp 8-19--Editor's note.
26. "Documents on Russian-American Relations," edited by S. Jados, Wash., 1965, p 233.
27. "Perepiska Predsedatelya Soveta Ministrov SSSR s Prezidentami SShA i Prem'yer-ministrami Velikobritanii vo vremya Belikoy Otsechestvennoy voyny 1941-1945 gg." [The Chairman of the USSR Council of Ministers' Correspondence with Presidents of the United States and Prime Ministers of Great Britain During the Great Patriotic War, 1941-1945], vol II, Moscow, 1957, pp 263, 266.
28. "FRUS. Conference of Berlin (Potsdam), 1945," p 1475.
29. "Documents on American Foreign Relations," edited by R. Dennett and R. Turner, vol VIII, 1 July 1945-31 December 1946, Boston, 1948, p 267 (because the USSR became party to the Potsdam Declaration of the heads of the U.S., British and Chinese governments on Japan of 26 July 1945 after it had been signed by representatives of these three states, the Russian text of the document is derivative as it is a translation of the English text. See "Sbornik deystvuyushchikh dogovorov, soglasheniy i konventsii SSSR s inostrannymi gosudarstvami," vol IX, Moscow, 1958, pp 137-138).
30. "Warera-no hoppon ryodo," Tokyo, 1977, p 9.
31. "Soshireibu oboegakishu," Tokyo, 1949, p 109.
32. S. Miyazaki, "Kokusaiho-ni okeru kokka to hojin," Tokyo, 1962, p 294.
33. Ibid., pp 294, 295.
34. See, for example, "Yosan iinkai dainibu bunkakai giji sokkiroku," pt I, sec 3, No 1, Tokyo, 6 September 1946, pp 2-3, and the resolution of the Japanese House of Representatives of 30 April 1950 "Zoku hikiage engo-no kiroku shiryo," Tokyo, 1955, p 7.
35. S. Miyazaki, Op. cit., p 295.
36. KAMPO, 22 November 1945, No 5661, p 180.
37. "Russkaya tikhookeanskaya epopeya," p 585.

38. With a view to wartime and postwar international agreements, Japan reinforced its renunciation of all claims to these territories with a reference to the San Francisco Peace Treaty in a number of internal legislative acts--in addition to the abovementioned imperial edicts Nos 651 and 652 of 22 November 1945, in legislation on fishing, Notice No 438-A of the director of the Civil Legal Affairs Department of the Ministry of Justice of 19 April 1952, and others (Z. Suzuki and T. Kitazawa, "Shogai toseki jimu-no riron to jitsurei," Tokyo, 1965, p 8).
39. "Russkaya tikhookeanskaya epopeya," p 586.
40. "Understanding Japan. Notes on Maps and Figures Concerning Japan in the Geography Textbooks of Other Countries," No 23, Tokyo, 1969, figs 13, 98, 170, etc., pp 19, 51, 86, etc. (see published maps).
41. The Japanese names of these islands are used here because the discussion pertains to the time when the islands belonged to Japan. The Russian names are, respectively, Tanfil'yev, Anuchin, Yuriy, Zelenyy and Polonskiy. The Russian name for the Suisho (Habomai) group is the Ploskiye Islands (see Yu. K. Yefremov, "Kuril'skoye ozherel'ye" [The Kuril Necklace], Moscow, 1962, pp 197, 217, etc.).
42. Y. Takano, "Nihon-no ryodo," Tokyo, 1962, p 175.

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TEL AVIV'S LUST FOR NUCLEAR WEAPONS AND WASHINGTON

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 51-56

[Article by V. F. Davydov]

[Not translated by JPRS]

TRADE UNIONS AND THE ECONOMIC POLICY OF R. REAGAN

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 56-58

[Article by N. B. Il'ina]

[Not translated by JPRS]

UNITED STATES FISHERIES SYSTEM

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 59-67

[Article by A. N. Mikheyev]

[Not translated by JPRS]

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DIGGING THE GRAVE FOR DETENTE

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 68-71

[Article by Yu. P. Babich]

[Text] The dangerous shift in the policy of American ruling circles, away from detente and toward a new confrontation with the Soviet Union, at the turn of the decade and the arrival of a Republican administration focused even more attention on Soviet-American relations, the fate of detente and the place and role of the United States in today's world.

Of course, there are groups in the United States that are trying to keep the country from climbing into the trenches of a new cold war. The members of these groups realize that the United States has a vital interest in the preservation and consolidation of international detente.

The position of these groups is being attacked more and more by those who would like to bury detente as quickly as possible and who are pushing the United States toward arms race escalation.

An example of the line of reasoning and arguments of detente's gravediggers can be found in an article by Robert Kaiser, notorious WASHINGTON POST "Sovietologist, published in a special issue of FOREIGN AFFAIRS concerned exclusively with "America and the World in the 1980's" and published in the beginning of 1981. The article is entitled "Soviet-American Relations: Goodbye, Detente." Why has the author chosen this title? Is he stating an established fact or is he simply trying to pose a controversial question? A reading of the article proves that its author has openly joined the choir of detente's gravediggers in Washington. It is true that he tries to hide behind the screen of "objectivity" by clothing his discussion in pseudo-scientific garb and by criticizing both sides, the USSR and the United States. But no trace of this "objectivity" is left when the author begins to examine the reasons for the current state of Soviet-American relations. Here he resorts to the kind of distortion of the facts and the aims of Soviet foreign policy that is so characteristic of bourgeois political science in general and of its offspring "Sovietology" in particular. The basic premise of his discussion is a lie about the Soviet Union's "imperial ambitions."

In an attempt to justify the move made by U.S. ruling circles away from detente and toward a new confrontation with the Soviet Union, Kaiser shuffles and distorts the

facts in order to conceal the historical objectivity of the sources and process of international detente, including detente in Soviet-American relations. He writes that the development of these relations has gone through two main stages in the modern era. The first, according to Kaiser, lasted for a quarter-century after World War II. During these years, the author says, "the United States was indisputably the stronger power, but for some reason," he complains, "its superior strength did not lead to the establishment of satisfactory Soviet-American interrelations" (p 500). But how could there have been any "satisfactory interrelations" between the USSR and the United States during the years of cold war, at a time when American imperialism made an earnest effort to employ nuclear blackmail against the other side and at a time of saber-rattling and attempts by the United States to dictate its own will? The author naturally does not answer this question and he also does not mention that the USSR was in favor of the normalization of Soviet-American relations even then, relations based on the principles of peaceful coexistence and the absolute equality of these two sides.

The second stage, according to Kaiser, was shorter: It lasted from May 1972, from the time of the Soviet-American summit meeting in Moscow, to 1980. It was in 1972, Kaiser states, that "the policy of both countries changed. The United States decided to grant the Soviets at least the symbolic status of an equal superpower, and this was the beginning of the second stage, called 'detente.' In 1980 both sides concluded that it was also unsatisfactory and they therefore put an end to it" (p 500).

Everything in this passage is an absolute distortion of the facts. There was no fundamental or radical change in Soviet policy in 1972 or 1980. When the talk turns to shifts in policy, the discussion will pertain to the United States, and only to the United States.

There was a dramatic shift in Washington's policy in the late 1960's and early 1970's. It was a result of the failure of policy "from a position of strength," which became particularly apparent when American imperialism's adventure in Indochina ended in disaster, and of the realization that a new international balance of power had to be taken into account and Washington's policy had to be brought in line with political realities. All of this forced U.S. ruling circles to begin revising their foreign policy, primarily in relations with the USSR, and strive for a more realistic policy line.

Now another radical shift can be seen in Washington's policy, but this time in the opposite direction. We will not analyze the causes of this shift and will simply state an obvious fact: The foreign policy of the United States (and not of both countries, as R. Kaiser implies) has demonstrated its inconsistent, erratic nature.

It is absolutely wrong to portray detente, as this American "Sovietologist" does, as a result of the United States' alleged decision to "grant" the Soviet Union the "status of an equal superpower." This statement smacks of the hegemonistic spirit that has been so characteristic of American policy during virtually the entire period since World War II. It is completely obvious that detente was not the result of any unilateral "decisions" made by Washington. The process of detente was put in motion by objective historical factors in Europe at first, and although the United States had an objective interest in it, the serious opposition of the particular

segment of the ruling class whose financial well-being depends on the arms race and the preservation of seats of international tension made the process of detente a difficult one, and one that the United States was extremely reluctant to accept. It would probably be more correct to say that the United States became involved in the process of detente when it realized that it might be left out of the mainstream of contemporary international relations and might even isolate itself from its own allies.

It was certainly not within the United States' power, as Kaiser maintains, to "grant" or "not grant" the Soviet Union the "status of an equal superpower." Even if we should conditionally agree to use the terminology of the American "Sovietologist," we would still have to say that the increasing strength of the USSR and its effect on the entire course of social development in the world became possible not because Washington condescendingly allowed this to occur, but, rather, in spite of U.S. efforts, which are known to have always been aimed at the Soviet Union's "containment" and even its "regression." The continuous change in the international balance of power in favor of socialism and its evolution into a decisive factor in contemporary world development constitute a historically objective process, and it was certainly not up to the United States to "grant" anything to the Soviet Union or "deprive" it of its present place in the contemporary system of international relations.

Regardless of the contempt with which R. Kaiser and others like him in the United States view detente and regardless of how they might manipulate this term, which they prefer to enclose in quotation marks, it is within their power to deny the obvious fact that detente has become an imperative of our time. It has permeated the entire fabric of contemporary international relations and has penetrated far into the human mind, and it therefore cannot be denied by anyone.

Kaiser also has absolutely no grounds for alleging that both the United States and the USSR "concluded" that detente was "unsatisfactory" and "put an end to it" in 1980 as a result of the events in Iran, Afghanistan and other countries and regions. It is no secret that Washington is trying to put an end to detente while Moscow is making a colossal effort to strengthen and develop it.

By attempting to justify Washington's behavior, the American "Sovietologist" is actually trying to convince the reader that detente is a "one-way street" and that it has benefited only the Soviet Union. He writes: "For the American side the history of detente has been largely a history of embarrassment, confusion, self-deceit and self-inflicted diplomatic wounds" (p 506). Given this premise, the shift in the policy of U.S. ruling circles seems quite understandable as it is described in Kaiser's article, as the natural result of the entire preceding course of Soviet-American relations. "In this way, the period of Soviet-American detente came to an end," he writes (p 502).

To substantiate his statements about the "unavoidable demise of Soviet-American detente," the author draws an absolutely faulty conclusion from the essentially correct premise that the American concept of detente, as interpreted by H. Kissinger, differed significantly from the Soviet interpretation: He calls detente a historical anomaly, a mistake dating back to the very beginning of the 1970's. Kissinger's concept of detente, as R. Kaiser describes it, consisted in the creation of a "web

of interwoven relations which would bind the superpowers to one another by increasing their cooperation to the maximum and simultaneously lowering the level of uncontrollable competition. This was actually," the American "Sovietologist" says, "a new approach to the traditional American dilemma of how to 'contain' the Soviet Union" (p 501).

In essence, people in Washington have been trying for a long time to substitute the dual formula of "cooperation-competition" for the principle of peaceful coexistence, which was officially recognized by the United States in 1972 as the basis of interrelations between the two countries but which the Americans are now making contingent upon the USSR's "good behavior" in the international arena. Under the objective surface of this formula--objective because elements of both competition and cooperation can be present to one degree or another in relations between any states--lies an attempt to conceal the class differences between socialist and imperialist foreign policies and even to imply that the USSR and the United States are guided in their actions by the same motives.

Under the cover of the "competition-cooperation" formula, people in Washington tried to turn the Soviet Union into something just short of a partner in the implementation of American imperialism's global strategy. They hoped to accomplish this by forcing the USSR to accept certain "rules of the game" which were actually supposed to legalize, from the standpoint of international law and practice, Washington's attempts to divide the world into "spheres of influence." This was expected to guarantee the preservation of the social status quo in countries within the U.S. "sphere of influence." This tactic, according to Washington strategists, would accomplish the "containment" of the USSR and stop, or at least slow down, the continuous process of change in the international balance of power and the resulting erosion of American imperialism's influence in the world.

When the people in Washington realized that these plans were no longer a secret and that they were not going to work, they began to talk first about their disillusionment with detente, then accused the USSR of "breaking the rules" and just lately began to shamelessly ascribe their own imperialist, expansionist ambitions to the Soviet Union.

A fine example of this kind of falsification can be found in Kaiser's article. "For the Soviets," he declares, "detente was supposed to guarantee not only the apparent equality of the superpowers but also their actual equality. The very idea that the United States and the Soviet Union might one day share the responsibility of governing the entire world, and perhaps even divide it up among themselves, was extremely appealing to the Soviet leaders. At first people in Moscow viewed detente as the first step in precisely this direction" (p 501).

Statements like this are now being used in the United States to escape all blame for the difficulties detente is now experiencing, although these difficulties are a direct result of Washington's policy.

Kaiser's ridiculous statements do not have the slightest connection with the truth. All of the inaccuracies of the arguments of bourgeois political scientists are particularly evident if they are compared to the clear and precise definition of detente that L. I. Brezhnev set forth when he was interviewed by TIME magazine in January 1979: "When we say 'relaxation of tension' or, for the sake of brevity,

simply 'detente,' we are referring to a state of international relations that is the opposite of the state commonly called 'cold war,' which was marked by constant tension, threatening to turn into open conflict at any time. In other words, detente is primarily the absence of cold war and a move toward normal and equal relations between states. Detente is the willingness to settle differences and disputes not by force, not by threats or saber-rattling, but by peaceful means, by negotiation. Detente is definite trust and the ability to consider one another's legal interests. This, in brief, is our definition of detente."

Where, we ask, is there any mention here of the motives and aims announced by Kaiser? Is it not most likely that the United States is now resorting to these maneuvers to substantiate the lies about the notorious "Soviet threat" and to justify, on the pretext of the need to counteract the non-existent "Soviet expansionism," its own departure from detente and its attempts to escalate the arms race in the interest of the military-industrial complex and to achieve military superiority to the Soviet Union?

It is no wonder that Kaiser's suggested recipes for U.S. relations with the Soviet Union do not go beyond the traditional postulates about the "protection of American interests." The American "Sovietologist" suggests that these interests be safeguarded by means of the "stick and carrot" policy, which, after closer examination, turns out to be a variation on the same old theme of "competition-cooperation" but with the emphasis on elements of "competition." Success in this area, according to Kaiser, will depend on the maximization of American military strength. After so many years of "weakness," the author believes, an emphasis on strength should have a "positive psychological effect" (p 521).

As we can see, there is nothing new in Kaiser's recipes. In essence, he is defending the line that people in Washington have tried to take for a long time now and that has led American policy into a blind alley. To some degree, Kaiser evidently realizes this because he says that he sees no reason to "end his article on an optimistic note." On the contrary, "there are no prospects for good Soviet-American relations. This is a fact which does not exclude the possibility of a change for the better in these relations in the future, but it nonetheless a fact" (p 521).

There is no question that Washington's present policy is seriously impeding the normalization of Soviet-American relations. But this does not mean that detente as a historical process has come to an end. Kaiser and people like him are obviously in a hurry to bury detente, but it is alive and kicking. Its prospects are not as gloomy as they have been painted by the American "Sovietologist."

But there is no question that these prospects would be much better if Washington would begin a sober and discerning reassessment of U.S. policy in the international arena.

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AMERICAN DREAMS: LOST AND FOUND

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 72-82

[Third installment of Russian translation of excerpts from book "American Dreams: Lost and Found" by Studs Terkel, 1980, Pantheon Books]

[Not translated by JPRS]

MANAGEMENT OF ANIMAL WORLD RESOURCES IN ALASKA

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 83-89

[Article by Yu. M. Feygin]

[Not translated by JPRS]

POTATO GROWING IN THE UNITED STATES

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 90-100

[Article by A. A. Rodionova]

[Not translated by JPRS]

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BOOK REVIEWS

History of a Newspaper

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 101-103

[Review by A. B. Pankin of the book "Without Fear or Favor. THE NEW YORK TIMES and Its Times" by Harrison E. Salisbury, N.Y., Times Books, 1980, X + 630 pages]

[Not translated by JPRS]

American Patent Policy

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 103-105

[Review by V. G. Klinov of the books "Patent Policy," Hearings Before the Subcommittee on Science, Technology and Space of the Committee on Commerce, Science and Transportation, U.S. Senate, 96th Congress, Wash., Government Printing Office, 1979, IV + 456 pages; "Government Patent Policy Act of 1980," Hearing Before the Subcommittee on Science, Research and Technology of the Committee on Science and Technology, U.S. House of Representatives, 96th Congress, Wash., GPO, 1980, 184 pages]

[Not translated by JPRS]

Forecast of U.S.-USSR Relations

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 106-108

[Review by A. V. Kortunov of the book "Soviet-American Relations in the 1980's. Superpower Politics and East-West Trade" by Lawrence Caldwell and William Diebold, N.Y., Council on Foreign Relations, 1981, XVI + 314 pages]

[Not translated by JPRS]

Special Program Approach to U.S. Research

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 108-109

[Review by L. I. Yevenko of the book "Programmno-tselevoy podkhod k nauchnym issledovaniyam v SSHA" by Ye. A. Lebedeva and P. A. Nedotko, Moscow, Nauka, 1980, 295 pages]

[Not translated by JPRS]

The Working Class and the American Revolution

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 109-110

[Review by M. I. Lapitskiy of the book "Rabochiy klass i amerikanskaya revolyutsiya" by Philip S. Foner, Moscow, Progress, 1980, 294 pages]

[Not translated by JPRS]

American Ideas About Relations with the USSR

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 110-111

[Review by V. A. Kremenyuk of the book "Amerikanskiye kontseptsii razvitiya otnosheniy s SSSR" by P. T. Podlesnyy, Moscow, Nauka, 1980, 183 pages]

[Text] The author of this work has analyzed the causes of the crisis in the "containment" policy conducted by U.S. ruling circles in relations with the Soviet Union after World War II.

Today, now that Washington's policy in relations with the USSR is once again marked by attempts to achieve military superiority, revive the spirit of cold war and reduce the multifaceted group of relations between the two countries to brinksmanship, certain sections of P. T. Podlesnyy's book are of particular interest, namely those in which he examines the position of the right wing, which has always insisted on the superiority of its own approach to the Soviet Union, even when the relations between the two countries were being built in a spirit of detente and peaceful coexistence. The author shows how each step in the normalization of Soviet-American relations was resisted by the opponents of Soviet-American dialogue.

The last part of the book, in which the Carter Administration's "faltering" policy toward the USSR is examined, by American specialists among others, is of great significance in this connection. After all, it was this administration that was to blame for the dramatic deterioration of relations between the two countries at the turn of the decade. Events proved that the Carter Administration did not have a foreign policy that was coherent and logical, not to mention constructive. It was mainly concerned with gaining immediate advantages and creating a reputation for itself as a "genuine protector of American interests."

This approach naturally gave rise to real difficulties in Soviet-American relations. Washington's subsequent rash actions compounded these difficulties and led the administration to the "point of no return," to confrontation and conflict.

The author cogently describes the deadlocks of the policy of "containment," and the information he cites and analyzes indicates that it is vitally necessary for the United States to build its relations with the USSR on a realistic foundation, and not on the basis of outdated ideas that contradict objective reality.

West Berlin: Yesterday and Today

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 111-112

[Review by T. A. Alekseyeva of the book "Zapadnyy Berlin: Vchera i segodnya" by P. A. Abrasimov, Moscow, Mezhdunarodnyye otnosheniya, 1980, 216 pages]

[Text] It would be difficult to assign this book to a specific genre. It combines a thorough scientific analysis of all the international aspects of West Berlin's peculiar status with an eyewitness account by a direct participant in the talks between the USSR and the three Western powers on the West Berlin issue. Since 1962 the author has been the Soviet ambassador to the German Democratic Republic.

The work describes the struggle of the USSR, the GDR and other countries of the socialist community to settle the problem of West Berlin, one of the "neuralgic points," as the author calls it, of international relations in the 1950's and 1960's.

The author examines the role and position of these four powers, including the United States, in this matter.

After the end of World War II, the ruling circles of the Western powers, especially the United States, decided to set up a West German state, to gradually re-arm it and to include it in their own military and strategic plans. As for Berlin, the author stresses, they immediately took steps to put an end to its status as the capital of a country, to split the city and to turn its western sector into a stronghold of anticommunism (p 14). When the city and country were split, West Berlin became the location with the highest concentration of U.S. intelligence agents. With the aid of a large group of documented sources, introduced into our scientific literature for the first time, the author cogently proves that U.S. ruling circles were to blame for the escalation of tension around West Berlin. As he says, the problem of West Berlin as a hot spot on our planet was a global problem from the very beginning and took in a broad range of issues connected with the attainment of important practical objectives, and was therefore a central issue in Soviet-American relations in the 1950's and 1960's.

After encountering the firm and consistent position of the USSR and all of the countries of the socialist community, the Western powers had to agree to negotiations.

A particularly interesting part of the work pertains directly to the talks, lasting more than 17 months, on the conclusion of a quadripartite agreement on West Berlin. The author not only describes the entire course of the talks by the four powers, the

positions of the sides concerned (including a particularly detailed discussion of the U.S. position), the difficulties arising during the talks, primarily due to the inconsistency of the Western participants, and the attempts by reactionary forces in the FRG to exert pressure on them, but also analyzes the text of the quadripartite agreement and other documents. A careful examination of the text of the agreements is particularly important because the Western powers started to give them their own interpretation as soon as they had been signed and began to distort the letter and spirit of the documents in their own interest.

The author also examines many stages of the struggle for the implementation of the quadripartite agreement. This is virtually the first extremely thorough analysis in Soviet literature of the position of the United States and the other Western powers on this matter after 1971. The author presents a detailed analysis, with a view to international law, of the specific problems that arose when the provisions of the agreement were carried out.

American Foreign Trade Strategy

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 p 112

[Review by A. B. Terekhov of the book "Vneshnetorgovaya strategiya SShA" by V. G. Kur'yev, Moscow, Mezhdunarodnyye otnosheniya, 1980, 228 pages]

[Text] The contradictory development of current U.S. import policy is mainly taking two directions: a relaxation of customs protectionism combined with greater emphasis on non-tariff restrictions. These two contradictory tendencies are examined in this work by V. G. Kur'yev, who shows that Washington's announced intention to liberalize trade is still the focal point of the theory and practice of its foreign policy.

By means of this foreign trade strategy, the author writes, the United States wants to solve America's economic problems in the sphere of foreign trade and its foreign policy problems: It wants to unite the developed capitalist states to counteract the increasing strength of the socialist community and the struggle of the developing countries. The author stresses that Washington policymakers are aware of the definite drawbacks of the liberalization of trade and are preparing to deal with them by reserving the right to temporarily restrict imports when necessary and by agreeing to the demands of American labor unions. For this purpose, the government is establishing federal programs in the form of subsidies for the reorganization of certain industries and their adaptation to the new conditions of competition. The author also cites examples of the negative consequences of liberalization (unemployment, deficits in balances of trade and payments, etc.). Their presence sometimes evokes more pressure from circles inclined toward protectionism, and then the executive branch has to make concessions.

These concessions are nothing other than a tactical maneuver in import policy, the author believes, because no one in the upper power echelons consciously regards protectionism as an effective foreign trade policy and the best policy for the United States. Given the present conditions of galloping inflation and the related domestic political complications, anti-inflationary programs have become another trump card in the battle the advocates of liberalization are fighting against protectionism. "On the whole," the author concludes, "the policy of more liberal

foreign trade relations and broader economic cooperation, however inconsistent it may be, is still an important element of American imperialism's steps to stabilize the world capitalist economy and strengthen the political relations of its main centers" (p 224).

The author's correct assessment of such relatively new phenomena in the theory of practice of state-monopoly regulation in the United States as the federal programs for the reorganization of industry to adapt it to the new conditions of competition resulting from the relaxation of customs restrictions is noteworthy. In some works this instrument of import policy is regarded as a new tactic that is more effective than the traditional means of protectionism. The author does not argue with this view, but he conclusively proves that the system of adaptation to new customs conditions "cannot be regarded as an instrument of foreign trade or customs protectionism" (p 64).

A large part of the work is taken up by an analysis of current U.S. trade policy with respect to the developing countries, the system of preferential customs regulations for this group of countries, the increasing tendency toward a differentiated approach to the developing countries, etc. New developments in export policy are also analyzed.

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CSO: 1803/4

THE MAIN CAPITALIST COUNTRIES: ECONOMIC COMPARISONS

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 113-117

[Statistical tables of economic indicators]

[Not translated by JPRS]

CSO: 1803/4

SOVIET COMMENTS ON REAGAN ADMINISTRATION ECONOMICS

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 81 pp 118-127

[Report of a session of the scientific council of the Institute of the United States and Canada of the USSR Academy of Sciences: "The Economic Strategy of the Republican Government"]

[Text] At the Institute of the United States and Canada of the USSR Academy of Sciences, there was an expanded session of the Scientific Council, devoted to the examination of the R. Reagan administration's economic program that was brought out in February 1981.* In opening the session, the deputy director of the institute, R. G. Bogdanov, noted the great importance of this problem. Understanding the internal and external policies of the United States in the next few years largely depends on a clear and accurate answer to the questions as to what the Reagan economic program represents and what kinds of goals and prospects it has. And, whereas, the external policies of the Reagan government are in the stage of formulation, its economic strategy is something that apparently has largely been formulated, and the outlines are clearer. The Reagan economic program reflects the philosophy of those social forces and those parts of the ruling circles that have come to power today in the United States. It would also be extremely important to determine the interdependence and the interrelationship between the economic program and the external and internal political problems of the United States.

The basic report on the subject, "The Contents and Goals of the Reagan Program," was given by deputy director of the institute, G. Ye. Skorov. In particular, he said the following.

The more time that passes since the Republican Administration took over responsibility for the fate of the United States and the more distinct that the gap becomes between its intentions in external policies and reality, the more significant for these policies become the internal policies, especially economic policies. It is in this sphere that the vital everyday interests of 226 million Americans are actively affected in a very direct manner.

The economic situation in the country remains complicated. The comparison of today's economic difficulties in the United States with the "great depression" of the 1930's, of course, has been exaggerated. The Reagan Administration has been interested in

* Editor's note: The speeches are published in abridged form.

having it emphasized, in order to dramatize the situation: this could make the conduct of its policies easier. And, on the other hand, any improvement at the present moment is undesirable, since it would make any extreme measures superfluous and groundless. But if one approaches the evaluation of the situation objectively and soberly, it becomes clear that, during the time that has elapsed since the November 1980 elections, a steady improvement in the economic situation in the country has not taken place.

Although the growth in gross domestic product in the first quarter of 1981 was unexpectedly high (8.4 percent at a yearly rate) in comparison with the third and fourth quarters of 1980 (2.4 and 3.8 percent), the volume of gross domestic product as a whole barely reached the level which preceded the sharp, critical drop (by 9.9 percent) in the second quarter of 1980, but in industrial sectors (motor vehicles, steel, and building industries), the volume of production is still lower than this level. The rate of growth in prices continues to be measured in double-digit figures. Unemployment stays at the level of 7.6 percent (8 million people). Loan interest rates again hover around 20 percent. The average real hourly wage of the American worker continues to decline. During the last six months, 6000 businesses have gone bankrupt. American exporters continue to push many goods in world markets. Even on the domestic market, American monopolies are forced to resort to extreme measures to maintain their competitive capability. Evidence of this is the agreement concluded in May of 1981 for the "voluntary" limit for three years in the export of Japanese motor vehicles to the United States.

As a whole, the country's economic situation remains unstable, despite the boom that is building up in the military-industrial sector. Prospects ahead are unclear, and a drop in production in the second half of 1981 is fully possible.

Under these conditions, the economic program of R. Reagan, pretentiously held up as "a new beginning for America," acquires special meaning. Today, this is the central element in the activities of the administration. Here are focused the problems of economic and social policies, policies in the civil and military spheres of the economy, and domestic and, partly, foreign policy.

The economic program covers four groups of mutually related measures: lowering taxes; reducing governmental expenditures; relaxing government regulation; and conducting a policy of limiting money and credit. In themselves, these measures do not represent anything new in principle. These are usual instruments of economic policy, part of the arsenal of anticyclic regulation applied in the West for many decades. What is new is the significance of the scale of the proposed measures and in the meaning attached to some of them in Washington and in the complexity of their supposed utilization. This imparts to them a certain new quality.

First, for example, the lowering of taxes was conceived as a repeated, and not a one-time operation. Over a period of three years, the tax rates are to be reduced by 23 percent. This, undoubtedly, is a very large reduction. There is no precedent for such measures in U.S. practice or, very likely, in other capitalist states within our memory. In the same way, the reduction of government expenditures has never been as impressive: the amounts proposed by Reagan and approved in May by Congress is 49.1 billion dollars and, with nonbudgeted items, may be 55.9 billion. Nor ever in the past has there been a one-time curtailment of about 250 various state programs.

In real life, however, everything is far from being as simple, clear, and straightforward as on paper. In particular, the proposed lowering of tax rates, strange as it is, actually only slows down the increase in the tax burden and does not cut it back, since, under conditions of intensive inflation, continually new groups of the American population annually continue to enter into a category of taxpayers obliged to pay higher taxes.

It is exactly the same with the proposed reduction in government expenses which, in reality, takes the shape of restraint on further growth, since the U.S. Government, in cutting one item of expenditures, increases another and, in parallel with savings and trivial hairsplitting, there is downright extravagance and completely unjustified squandering of natural resources. For example, for the 1982 fiscal year, military expenditures are rising by 25 percent, but expenditures for education are being reduced by 25 percent. Expenditures for other social goals are being reduced sharply. The opposition of such a policy to the interests of wide strata of the population and to the genuine national interests of the United States in the epoch of the scientific-technical revolution is clear to any unbiased researcher. The internal contradictions of the stated goals and the chosen means for their achievement are completely obvious.

A very serious innovation in the economic program of the Republican Administration is the unusualness of the methods with which it intends to solve the problems facing the country. R. Reagan proclaims that he is breaking with the past, rejecting the traditional economic approach that has been characteristic of all American presidents from F. Roosevelt to J. Carter. All of them, to one degree or another, counted on the state to overcome or to ease economic difficulties. Reagan, on the other hand, regards private initiative to be of primary importance. The goal officially proclaimed by him is to revive the spirit of "free enterprise" in the United States, to free private initiative from the bureaucratic fetters that hold it back, to abolish burdensome government regulation and, in short, to reduce state interference in economic life by the state. "Under the conditions of the present crisis," declares the President, "the government is not the solution to our problems, the government -- is the problem." From all that he has said on this subject, an impression evolves that his cherished dream and of those whose interests are expressed by the group of politicians who came to power with him is a return to some kind of capitalism of free competition, to pre-Roosevelt or even pre-Hoover times of the first decades of the 20th Century.

Is such a backward movement conceivable? Can American capitalism at the end of the 20th Century manage without government and monopolistic crutches and props, without working with state money, without the redistribution of national income that has been going on for a long time, and without the systematic conduct of an anticyclical policy? To think this would be at least naive. Disorder in the marketing mechanism of modern capitalism, caused by state monopolies -- national and multinational -- has gone on too long to respond to a command from the master of the White House to become a "self-adjusting system." Moreover, do the President and his closest associates themselves believe in what he is saying?

Meanwhile, R. Reagan is using state power fully for the reorientation of management methods, for guaranteeing the long-term interests of capital, as he understands them, and for protecting American capitalism from attacks by its economic competitors.

The President is relying on state power to shake up the sclerotic economy, to return it, if not to its youth, at least partially to its by-gone versatility and strength.

Therefore, what he proposes is nothing other than changing the forms and methods of state-monopoly regulation; he does not propose weakening or, even more, replacing it. Emphasis is transferred from tax and budget factors for government regulation mainly to credit and money, from federal programs of financing to state and local authorities. In this context, we should examine the proclaimed policy under which special stress is put on private monopoly rather than on the state in the state-monopoly capitalist system.

State-monopoly capitalism is the combination of two principles -- monopolies and the bourgeois state -- into a single mechanism for providing uninterrupted functioning of modern capitalism. In this combination, during various periods, there is first one priority then another. With the appearance of multinational corporations, whose branches extend outside the control of the national state and sometimes even resist it and enter into conflict with it, the balance of forces in the state-monopoly system has begun to shift to the advantage of the private-monopoly principle. This is characteristic not only for the United States, but also for other developed capitalist states and is related to the fact that the world capitalist system has no international regulating mechanism that is adequate, analogous to the national mechanism in individual capitalist states. The weakening of state regulation by Reagan, if it really takes place, can lead to the further shifting of this balance in the American state-monopoly capitalism. But it is necessary to keep in mind that all these changes are taking place within the framework and on the soil of state-monopoly capitalism. But, in all probability, they have a temporary character. In the next level of the development spiral, evidently there will be a strengthening of the state principle in this system. This represents the real content of the Reagan economic program and its place in the evolution of the forms and methods for state-monopoly regulation.

Attempts to "deregulate" were made earlier not only by the Republican administrations of Nixon and Ford, but also by the Democratic administration of Carter who, in particular, was the first to begin a step-by-step abolition of control over crude oil prices, eliminate regulation in civil aviation, and weakened it in a number of other spheres. This shows that the course adopted by Reagan for reducing /Big Government/[in English with Russian translation] and for limiting "excessive" state interference in economics is not accidental. This course is dictated by the crisis in economic policies based on Keynesian and neo-Keynesian prescriptions. Evidently, it responds to the interests of U.S. financial capital at the present stage or at least to the interests of influential groupings of it, although it also is fraught, it seems, with a certain amount of risk and a number of potentially dangerous consequences for American capitalism.

This risk is related to the inevitable strengthening of the spontaneous market trends in the U.S. economy, and the dangerous consequences are related to the weakening or even the abolition of needed standards for the technology of safety, in the field of environmental pollution, health protection, and so forth. Of course, both can raise the rates and quantities of profit of individual corporations in the monopolistic and nonmonopolistic sectors. But it is far from clear how this will be reflected in the process of accumulating social capital as a

whole, in its reproduction over the long term, and in the conditions of life of the broad masses of population. The possibilities are not limited only to positive improvements. There are sufficient grounds to propose that the course of events can substantially deviate from the official scenario and, as a result, there will be such a great cost to American society that it will not be compensated for by all the material advantages of individual corporations and financial capital groups.

It seems that, if one overlooks the details and the ideological strategems and the advertising and propagandistic phraseology and tries to distinguish the chief goal that is being pursued by the complex of measures of the Reagan government, it consists of promoting the accumulation of capital, and accelerating and intensifying it. It is this goal that is served by tax reductions on corporation profits, and the new, exceptionally favorable standards for amortization of basic capital and -- last but not least -- tax privileges for investments. Who among the capitalist managers and stockholders of corporations does not experience delight and exult in the thought of such a truly royal gift as the opportunity presented by Reagan of full write-off of the cost of transportation means belonging to firms and organizations for three years, machines and equipment for five years, and production buildings and structures for ten years?

These measures, together with their concomitants, are the chief factor which, according to the intention of the author of this program, should lift up the American economy and allow companies to implement so-called reindustrialization, that is, radical technical rebuilding of the production apparatus, and which should put an end to the paradoxical phenomenon that does not fit the usual perception of America when the strongest industrial, scientific-technical, and financial power of capitalism has the oldest stock of machines and equipment among the developed capitalist countries. This is the factor, with the help of which, American corporations hope to break the persistent tendency toward slow growth and decline in labor productivity, to recoup world markets, and to take revenge against the Japanese, West Germans, and other foreign competitors for all of the defeats they have had to bear in recent years.

As a result, this same goal of radical improvement in the conditions for industrial accumulation is also served by measures directed at reductions of mass consumption resulting from ruthless curtailment of large state social programs; these programs first appeared during the Roosevelt New Deal period and became a typical characteristic of American state-monopoly capitalism of the J. Kennedy New Frontiers and the L. Johnson Great Society and of their successors of the last ten years.

During the post-war period, American economists have been proud that the United States, despite the lowest standard of industrial accumulation among the developed capitalist states, continued to occupy first place in the capitalist world in the level of labor productivity and other basic indicators of economic effectiveness. The ratios between the first and second subdivisions of social production in the United States served for many countries as a form of utilizing GNP. The level of consumption by the American working class -- the highest in the capitalist world -- came out as the newest factor in the economic growth under conditions of the scientific-technical revolution and in the most important role of "investment in people." Of the Japanese routes to development with their excessively high standard of industrial accumulation and of West German, French, and other "traditional

routes" of economic development, they spoke with nuances of slight disdain (they were old fashioned and did not understand how to do it right).

The sobering up did not come at once. It took years, thousands of bankrupt enterprises, the flooding of American markets with foreign goods, an anchor cast to Lockheed, Chrysler, and other monopolies approaching financial disaster, before the simple truth -- that the United States is living beyond its means, consumes too much, and accumulates too little -- reached the consciousness of the ruling class and aroused it to action. The Reagan economic program is also an expression of this. Its true end purpose is to conduct a large redistribution of national income and to change a number of basic economic ratios: between accumulation and consumption, between state and private capital accumulation, and between civil and military consumption. It is to benefit the ruling class to the detriment of labor interests and it is to benefit big business in the interests of the upper and middle strata of American society at the expense of the workers, service people, farmers, national minorities, and other representatives of laboring classes and the unfortunate of America.

Can the Republican administration fulfill its intended economic program? If so, what political or social consequences can it have? If not, what kind of consequences are involved in its failure? These questions, apparently, should be the chief subject in the exchange of opinion and an object of further scientific research.

Independently of any governmental programs, a capitalist economy develops in cycles. From the point of view of the Republican Party, it was lucky that it came to power during the period of economic crisis and, whatever it does in the next few years, the spontaneous, cyclical forces will take care of increasing the economic growth rates of the United States. This does not exclude, but presumes the accumulation of new contradictions in the economy, the exacerbation of certain old ailments and the appearance of new ones and, in the final analysis, presages a new outburst of contradictions as the means for their temporary solution, which prepares the ground for the next cycle. But, in all probability, the first half of the 1980's, the United States must proceed primarily under the sign of cyclical revival and ascension, the intensity of which is subject to further study. This, of course, cannot help leaving an imprint on the development of social conditions in the country, on the process of consolidating the forces of opposition, and changes in the arrangement of political forces, and on the creation of the possibility for a new "changing of the guard" in the White House in 1984.

YU. I. BOBRAKOV: TANDEM WITH CONTRADICTIONS

The economic program of President Reagan in essence is nothing else than an attempt, with the aid of a kind of "force method," to overcome a crisis in the system of state-monopoly regulation of the economy which, in the late 1970's and early 1980's, has taken on an especially clear character.

In the 1970's, under the weight of economic problems, the bourgeois concepts of "noncrisis development," which had been clearly dominant in the 1960's in the United States, collapsed; the traditional Keynesian prescription for "aggressive" utilization of state financing to stimulate the economy proved to be untenable. It was as if the critical shocks of the 1970's completed the "great cycle" of state-monopolistic "activist" experiments in stimulating the economy and helped the rise of trends

toward budgetary conservatism, which appeared in the economic policies of the government under Carter in the final stage of his stay in power, when he declared his intention to have "strict" budgetary economy and to limit the growth of spending. These trends, hardly noticed in the economic strategy of the U.S. ruling circles at the end of the 1970's, has received full expression in the Reagan economic program. The latter, having restructured the priority of state regulation, made use of the sharp negative reaction of business circles and wide strata of the population to the failure of the government economic policies, which had developed a nostalgia for the "good old days" of free competition.

What was meant by the "new beginning" that was proposed to the country by the current president? This was an attempt at massive, one-time measures for limiting the growth in budgetary expenditures and for reducing taxes as the means to weaken inflation and stimulate economic growth, combined with the utilization of the classical "monetarist" prescription for regulation. The latter is assigned one of the most important places in the set of means called upon to make possible the "revival" of the American economy. In the official phraseology that is used for this, the course of limiting the growth of budgetary expenses and "deregulation" is presented as a reduction of the regulatory role of the state that will help revive the spirit of private enterprise and business initiative. Essentially, no dismantling of the economic role of the state is taking place, and it is distinctly clear that there is an intention to reestablish state-monopoly priority in the field of regulating the economy and to cut its expenses, which Reagan's predecessors were unsuccessful in doing.

His program, in concentrated form, expresses a course for increasing the effectiveness of the economy. Toward this end are directed the reduction of amortization periods for industrial buildings, machines, and equipment in combination with -- and this is more substantial -- the allotment to business of tax advantages for investments. The tandem of these measures, of course, can have a stimulating influence on the process of industrial accumulation, but only in the long-run. For such a goal can be achieved only by overcoming inflation -- the most urgent problem that for many years has had a destabilizing influence on the economy of the country. This problem, as is known, became in the 1970's the reef on which one after another of the economic programs of Washington administrations broke up. Will the Reagan administration be able to avoid this? Strong doubts about this are being expressed by many American economists, including, for example, P. Samuelson, V. Leontieff, and J. Galbraith.

The limitation of growth in budgetary expenditures by significantly cutting social programs and encroachment on the vital economic interests of the workers is precisely the measure conceived by the creators of the "new beginning" as a radical means of balancing the budget and weakening inflationary pressure. And it is proposed simultaneously with a program for unprecedented build-up in military expenditures, called upon to support the strategic military purposes of the U.S. ruling circles and which is becoming a basic part of the economic strategy of the Republican government. Meanwhile, the build-up in military expenditures, as experience has shown, will cause growth in the budget deficit and be a powerful promoter of inflation. As was noted by the "Group of Thirty" (international economic experts), which periodically meets under the aegis of the International Monetary Fund, "it is scarcely possible to recognize as a reliable anti-inflationary policy the mixture proposed by the Reagan administration for tax reduction, reduction in social programs, and

increased expenditures for defense together with orthodox monetarism." The growth of military expenditures and the instigation of an arms race can overturn the "revitalization" purposes of the U.S. government and tie the country's economy into an even tighter knot.

A. V. ANIKIN: THE REAGAN PROGRAM AND PROSPECTS FOR THE U.S. ECONOMY

The question of prospects for the U.S. economy in the next few years and on the fate of the Reagan administration economic platform has important significance not only for the United States, but also for other capitalist countries, for the world economy, and for international relations. In essence, the conservative variant of state-monopoly regulation of the economy, wholly subordinate to the interests of big business, is now going through a trial in the United States. It is tied with the revival of economic orthodoxy and proposes the limitation of direct methods of state interference in the economy and a compression of social expenditures. Such a policy is being conducted in Britain by the Tory government and there it has had sharply negative consequences. Under these conditions, the American "experiment" acquires even greater significance.

In getting his economic program through Congress, Reagan relies on a rather strong position in both houses. This circumstance reflects the wide disenchantment among the American people with the economic policies of the preceding administrations and the hope that the new people in Washington somehow will come up with "new" methods. At the same time, pessimism and skepticism are distinctly evident among the majority of professional experts and the economic press. Specific fields that especially relate to the economists' skepticism are the following:

1. Inflation. As Harvard professor F. Betor writes, the former chairman of the President's Economic Council, A. Okun, said just after Carter was elected president in 1976, that if the government did not introduce direct control over prices and wages, the yearly rate of growth in prices would exceed 10 percent (at that time it did not exceed 6 percent). Today, this indicator is measured in double-digit quantities. Now, probably, Okun, who is no longer alive, would warn Reagan that by the end of his rule, the growth rate in prices will grow to 15 percent. Such a prospect is seen as a possibility. This is tied, first, to the fact that with an increase in military expenditures and lower taxes, the budget deficit most surely will not be reduced, but will grow still larger. Secondly, the pressure of monopolistic factors on the level of prices and incomes shows no signs of weakening. All this does not seem to foreshadow a slowing of the inflationary processes.

2. Unemployment. In the opinion of the economists, under present conditions, this problem in the United States must be solved in first priority by means of conducting selective, purposeful state policies that would help resolve unemployment in specific sectors and regions, among certain groups, and so forth. But this way is practically excluded under the present administration. Consequently, the problem can be solved only within the framework of national, macroeconomic policies, and here it is inseparably linked with the problem of inflation. Now, in the environment of bourgeois political economy, it is generally recognized that in the presence of moderate inflation or unemployment, the inverse dependence of growth rates in prices (and wages) and changes in unemployment levels (Phillips curve) does not operate. This is explained by the monopolistic system of price formation, indices

of wage rates, and other incomes and a number of different factors. In order to have a lowering influence on the growth rates of prices, unemployment must be extremely significant -- on the order of 10 percent of the work force. Only then, under present conditions, would the "classical" mechanism of the "Phillips curve" go into effect. But the combination of 15 percent inflation and 10 percent unemployment would be a complete political fiasco for Reagan.

3. The Stimulation of Capital Investment. The proposed Reagan tax advantages for corporations (shortened amortization periods and additional deductions for new investments) causes skepticism among economists, insofar as even without this, the amortization policy in U.S. industry was more favorable than in a majority of other developed capitalist countries. Hence, it is clear that investment activity of corporations is restrained not by high taxes and insufficient financial resources, but by factors of a different sort, and for its stimulation are needed some kind of more purposeful economic policy measures. The standard industrial accumulation in the United States in the last few years has been near 10 to 11 percent of the gross domestic product, but in Japan it has been 20 percent and more. In the economists' opinion, in the United States, under the influence of the Reagan measures, it can rise by 1 or 2 percentage points at the very best.

4. Social Problems. The Reagan program openly wounds or ignores the vital needs of the poor and the economically and politically weak strata of society. As was mentioned in the report, sharp limitations are being imposed on those elements of income redistribution favoring the social "lower classes" that appeared in the United States during the crisis of the early 1930's as a maneuver and concession by the bourgeoisie to preserve their supremacy. Even before Reagan came to power, J. Galbraith issued a warning about the increasing conservative trends in the United States: "There is an inverse ratio between what serves to strengthen the confidence of business and what serves the future of capitalism. No one can seriously doubt that the long-term prospects of capitalism will be better guaranteed, if the poor, black, and young are motivated within the present system, and this is provided by steady income. Today, many are speaking of the 'taxpayers' revolt.' But from people with relatively high incomes, one does not expect a revolution tied to crude violence" These notes throw some light on the reasons for apprehension among the more flexible and thoughtful ideologs of the bourgeoisie relative to the social-political consequences of Reagan policies.

YU. G. KONDRAT'YEV: THE INFLATIONARY IMPULSE

For at least a half a decade, the U.S. economy has been in the grip of inflation. The rate of growth in retail prices in 1979-1980 was, on the average, 12.4 percent a year. In the first quarter of 1981, prices rose by nearly 10 percent on a yearly basis. Inflation was one of the central problems in the political fight for the presidential elections of 1980. And in the new economic program it is being given first-priority attention. Moreover, the success of the whole economic strategy of the administration is directly dependent on progress in lowering the rate of growth in prices, and the program itself represents the current attempt by the ruling circles to solve one of the most complicated tasks of the state-monopoly regulation of the economy -- to achieve high rates of economic growth while simultaneously slowing the development of inflation.

Searches for a reliable arsenal of means for such a policy have been conducted in the United States since the beginning of the 1960's, and they have still not been successful.

Inflation is a powerful and, essentially invincible obstacle on the path of actively utilizing the existing mechanism of state-monopoly regulation of the economy, invincible because of the conflict between the direct economic effect of traditional state-monopoly measures for stimulating the economy and measures for fighting inflation.

How can inflation be overcome without aggravating stagnation and crises in the economy and, on the other hand, while accelerating its growth rate? This is the basic question which the administration must answer. Inflation has a negative influence on the rates and ratios of capitalistic production, of the process of distributing and redistributing national income and gross product, and leads to a drop in buying power on the part of the population, and it slows down capital investment and labor productivity. Inflation and the rise of prices, by lowering the effectiveness of capitalist management, becomes a powerful catalyst for social and political contradictions.

The Reagan program evidently has not been balanced from the point of view of the fight against inflation. And it is not surprising that the President and the economists that surround him see the basic reason for inflation as a psychological factor -- the rise and acceleration of "inflationary expectations" (the price-wage spiral) among American consumers and producers. Holding chiefly to monetarist concepts, the administration has selected the traditional policy of money and credit restrictions as the basic means for eliminating "inflationary psychology" and, consequently, for lowering rates of growth in prices.

However, as the experience from the end of the 1960's and the 1970's shows, manipulation in the field of money and credit policy cannot establish real control over growth of prices. Moreover, this is not possible under present conditions when underlying rates of growth in prices, that is, rise caused by permanent factors and not dependent on fluctuation around it, has approached 8 to 9 percent. In addition, many measures within the framework of the new economic program that are directed at stimulating economic growth (lowering taxes, the advantageous amortization policy, and the increase in military expenditures), carry a powerful inflationary impulse.

The utilization of money and credit policies as a chief means for fighting inflation inevitably increases tension in the American economy. Already, at the present time, the percentage rates for first-class borrowers is at a 20-percent level. In the event of a sharp reduction in the supply of circulating money, which is intended by the administration, the rates at best will remain at this record high level. This will restrain economic growth, especially in the motor vehicle industry and in housing construction, will worsen the financial situation of medium and small businesses, and will reduce consumption and investment demand.

At the same time, the program as a whole does not contain real measures for eliminating the deep-rooted causes of inflation in the long term.

R. A. MISHUKOVA: POLICY ON INVESTMENTS

In the second half of the 1970's, a large overaccumulation of obsolete and obsolescent basic capital has been revealed; this entails a persistent necessity for its massive renewal on the scale of the whole economy. The tasks of solving energy and ecological problems have had strong influence on the development of the whole economy and on the investment process. They have changed the basic direction of the machine building industry and the dynamics and structure of capital investment in that sector. A sharp necessity has arisen for the delivery of this modern technology that could largely replace the aged production apparatus and, consequently, also for significantly large investments of means in the basic production capital. However, U.S. machine building was not prepared for such a wave of renewal.

In the 1960's and the first half of the 1970's, the development of the U.S. economy was accompanied by a high standard of accumulation, which was made possible by the favorable conditions for production of consumer goods and services during that period. From 1977, the general standard of accumulation in the private sector began to rise and, in 1979, reached 15.6 percent. Only in 1980, in connection with the economic crisis, it fell substantially, to 14.3 percent. The standard for industrial accumulation in 1979 went beyond the peak reached in 1974 (10.7 percent) reaching 10.8 percent, but in 1980 it went down somewhat to 10.5 percent.

The growth of the accumulation standard by the end of the 1970's signifies a transition to a capital-intensive stage of U.S. economic development. In the first half of the 1980's, according to preliminary calculations, the standard for industrial accumulation can rise to 12 percent and higher to satisfy the demand for technical renovation of the economic sectors. It is toward increasing industrial accumulation that the new measures are also directed.

The Reagan program for investment provides for already known methods for stimulating private investment in basic capital. At the same time, within this framework, tax advantages are being broadened and flexibility in amortization and tax policies is being increased. This change is called for because the rapid uninterrupted growth in the cost of basic capital, which is related to inflation and to scientific-technical progress, repeatedly raises the real significance of the fund being created for financing investments from internal sources. And the growth in percentage rates for borrowed capital, especially for long-term credit, reduces the possibility for attracting financial means from foreign sources. All this limits the investment activity of private enterprise. In this connection, the earlier system of investment credit offered by the state (10 percent deduction for new investment) was structured so that it made the technological structure of private investment one-sided. The predominant part of investment credit was directed toward equipment with less lengthy periods of service (basically, from 5 to 8 years) and the utilization of these same means for constructing industrial buildings, installing and implementing large-scale programs for re-equipping the production apparatus was extremely limited. As a result, the share of machines and equipment with short periods of functioning in the total volume of capital investment grew significantly, and the share of expenditures for large-scale programs (full replacement of technological lines, complex modernization of production, etc.) was reduced. All this has slowed down the general rise in the technical level of industry.

Now a system of taxation is provided for that makes possible the reduction of the length of periods for amortization deductions from basic capital, using the "10-5-3" formula proposed by business (10 years for buildings, 5 years for all types of production equipment, and 3 years for means of transportation). Earlier analogous periods were, respectively, 12, 7, and 5 years, with certain modifications according to types of basic capital.

What is new here is that the action of the advantages are distributed over a wider circle of elements of basic capital, insofar as accent is shifted to stimulating capital investments for production equipment with longer periods of service and whole technology lines and machinery stock. Under crediting, in solid proportions, falls the larger share of construction projects. Monopolies receive the additional large opportunity to increase the amortization fund and use it more effectively to raise the level of industrial accumulation. In this connection, the tax rates on corporations are being reduced for financing purposeful investments. Such a measure permits the private sector to increase capital investments by 9.5 billion dollars in 1982 and by 59.3 billion in 1986. All of this can be a real stimulus toward broadening investment in basic capital and in raising industrial accumulation standards.

V. M. KUDROV: 'REINDUSTRIALIZATION' AND SCIENTIFIC-TECHNICAL PROGRESS

The Reagan program has been summoned to life, in the final analysis, by worsening conditions in production and in the economic situation in the United States, and also in the position of their economy in the world as the result of the crisis in the structure of production. The measures provided for are directed toward the solution of a number of problems that arise from this situation. The essence of the program is the partial redistribution of national income from the nonproductive sphere to the material production sphere. /"Supply-side economics"/[in English, with Russian translation], which lies at its base, is the priority of resources over demand and emphasis on the development of the resource base for economic growth. Simultaneously, it signifies all kinds of stimulation for business and the protection of the interests of capitalism at the expense of the interests of the workers.

It seems that the economic program is the sole serious trump card in the hands of the new administration that can have a real effect. However, the effect in the long run will be achieved not so much because of the program as because of the action of an objective factor -- the onset of a revival phase and subsequent upsurge within the framework of a new cycle that began with the 1979-1980 crisis.

The program has two very important goals -- "reindustrialization" of the country and acceleration of scientific-technical progress. The term "reindustrialization" was introduced several years ago by Professor Amitai E. Etzioni. In the pre-election campaign of 1980, today's president frequently said that he would create "millions of new jobs," increase the competitive capabilities of American goods, and renew and structurally reorganize U.S. industry. Essentially, this is the national economic plan. It is a matter, first of all, of the technical reconstruction of the production apparatus, of structural changes in the economy related to the transition to a new technical atmosphere meeting the requirements of a new stage of scientific-technical progress, and to a new production structure. This is an objective process, and it could be developed under any administration; the

conditions for the present program are favorable in the sense that it will stimulate progress during a period of cyclical revival and upsurge in the economy.

Specifically, the basic areas of structural changes that should, according to plan, stimulate the program are as follows: (a) renewal of the production apparatus by introducing new automatic hardware and automated processes based on wide utilization of microelectronics, particularly microprocessors; (b) wide transition to energy-saving equipment and to new economical types of engines; (c) increase in the proportion of science-intensive sectors in industry (the combination of labor-intensive and capital-intensive types of scientific-technical progress, with energy-saving and raw-material-saving trends); (d) partial redistribution of gross investments in favor of energy, the production of energy and electrotechnical equipment, and the development of synthetic fuel; (e) the development of new types of raw materials and the production of new alloys, plastics, and so forth; (f) the growth in the proportion of material production and reduction in the sphere of services in the GNP; and (g) the deconcentration of production in a number of industrial sectors.

In the measures for accelerating scientific-technical progress, the program rests upon previous events. It is sufficient to recall in this connection Carter's message to Congress on 31 October 1979 on the acceleration of industrial innovation. Now, in the general increase in expenditures for scientific-research and experimental design work, special attention is being given to optimize the ratios of distribution of expenses by agency, sector of knowledge, and areas of scientific-technical progress, to increase the effectiveness of these expenses, and also for the proportionality of contributions to scientific-research and experimental-design work in business, government, the universities, and relations among them. Measures are being taken for wide enlistment of small business and for putting the mechanism in order with a special-purpose program approach to scientific research and experimental-design work.

(Conclusion will follow.)

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